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Credit

AND FINANCIAL MANAGEMENT

FEB. 1939 "Busters" Beat You Twice — Page 6

LAST CALL

on the 1939 Edition

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of

Commercial Laws

(31st Annual Edition)

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Manufacturers' Sales, Collections and Accounts Receivable
Wholesalers' Sales, Collections, Accounts Receivable and Inventories

Cover: Photograph by Gustav Anderson. From Triangle Photo Service, New York City.

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Natural Audits

Whatever steps business men can take to curb fraudulent practices should be in order whenever possible. And, with the background of a spectacular and unfortunate recent case in the business world, adoption of the natural business year by business firms as the basis for their accounting period cannot be too highly recommended.

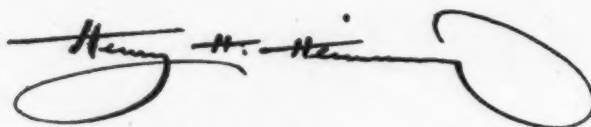
Increasing effectiveness of auditing would thus be materially aided. Accounting firms would be relieved of the heavy rush of activity around the December 31st period. And management would benefit because it would be making use of its particular annual low point as the time for closing its books, rather than some busier period.

The Natural Business Year Council has found, through study and research, that the natural business year, for instance, for the large majority of firms in the wholesale drug business ends June 30. That, rather than the calendar year ending December 31, is the time when wholesale drug inventories are usually lowest, when trade activity is at a seasonal ebb. It is conducive to easier checking of inventories and more accurate appraisal by those responsible for a firm's operations. Checking a small inventory means a lower expense item.

If certain individuals launch a program of deception and fraud, it will always be possible for a few to escape detection for some time, regardless of the number of laws or the amount of policing.

One of the greatest checks, however, is to make fraudulent schemes difficult of accomplishment. This has been proven many times by business organizations. The nation's credit executives have, for the past 12 years, carried on Fraud Prevention work in a campaign that has resulted in conviction of more than 1600, recovery for creditors of over two million dollars, and a noticeable effect in decreasing this type of fraudulent activity.

Adoption of the natural business year would not guarantee the elimination of business frauds. It would help eliminate certain situations. And for that reason it must be considered worthy of adoption by all firms after careful consideration of their particular needs.



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"Busters" Beat You Twice

They "Skim" Market For Good Stores

By H. E. Rhell, Assistant Treasurer, John T Lewis & Bros. Co., Philadelphia, Pa.

C Art Drury, Credit Manager of the Central Manufacturing Company, was in a none too pleasant frame of mind as he stepped off the train in County Seat, at 6 A. M., on a wintry February morning. It was snowing. He had an unpleasant job to do.

Van Brooks, his customer in County Seat, who until a few months ago always discounted his bills, had for some unaccountable reason stopped paying. Probably because he was unable to keep up with the times, Drury thought. And his account had run up to \$1,500. Practically all of it was past due. Drury wanted his money and he hoped to hold the account if it seemed worth while. He wasn't optimistic—but Main Street at six in the morning was not conducive of optimism; and maybe the weather had something to do with it.

"A Good Substantial Business"

After breakfast at the hotel, things looked a bit rosier, and Drury started for Brooks' store "three blocks straight up the street on the right hand side". On arrival, he found a good substantial business establishment, showing no outward signs of difficulty. True, customers were lacking, but then it was still early. Answering his inquiry for the owner, a pleasant salesman took him to an office in the rear of the store and, opening the door, said: "A gentleman to see you, Mr. Brooks."

Brooks stood up from his desk, greeted Drury with a smiling "Good morning—Come in", and awaited his visitor's introduction of himself; and Drury having made himself known, Brooks continued, "Glad to know you, Mr. Drury. I have been expecting a visit from some of you credit men. Give yourself credit for being first on the job. Take off that overcoat. Here's a chair. I can't offer you a cigar but, if you smoke a pipe, here's my favorite brand."

Removing his overcoat and filling his pipe during the usual amenities about the weather, etc., Drury sat down with a mental comment to himself, "A visit from some of you credit men." So, I am not alone in this. This chap looks plenty smart and he doesn't seem worried. Wonder what this is all about.

Within the past month I had the pleasure of listening in upon a narrative which proved quite interesting to me. In the hope that you too may enjoy it, I am passing it along as I remember it. If you heard it before, just pass it over; however, if perchance you are the one responsible for its original telling, or recognize yourself as one of the characters, I would be curious to learn how far it had strayed from the actual facts by the time it reached me.

—H. E. R.

Brooks broke in on his thoughts with, "Suppose we get down to business. We both know why you are here. I owe you \$1,562.00, to be exact. Some of it is four months past due. I haven't answered your collection letters; I wanted to talk to some of you fellows personally. I have bought from your house for twelve years. I have been very well satisfied, and now and then you have written me saying you appreciated the business. You people have always been fair and honest with me, and I propose to treat you in the same fashion. So, here is the story.

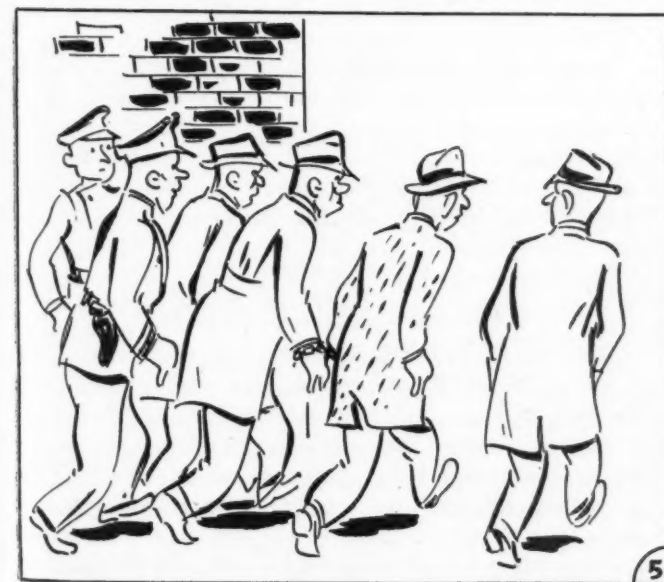
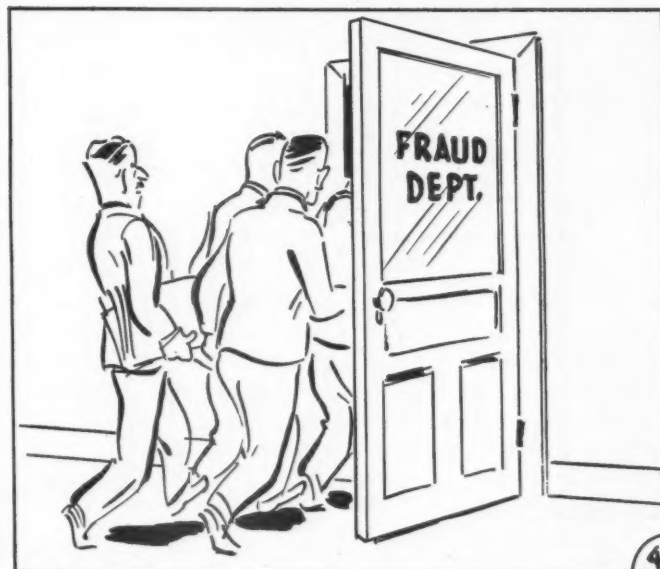
"Up to a year ago things were going along nicely for me. There were some tough years but I managed to get along and, during the past three or four, have really made some progress. When I sent you my statement a year ago last month, you wrote me asking about the mortgage I had placed on my store building. Do you remember my reply? I told you I felt I had built up more than enough reserve in my business; that I had placed a mortgage on this store building and had bought a new home. I felt my family was entitled to it. You didn't ask about my cash balance but, before I made that statement a year ago, I also took \$10,000.00 cash out of the business and put it in bonds which I gave to my wife. If I had known what was ahead of me for this past year, I am not so sure I would have done that. Possibly, if I had known, I might have gone even further. However that may be, what I did seemed logical at the time. There was no deception in it. You and the other creditors had my last statement when you sold me.

Creditors Cause of Trouble

"But now the situation is entirely different. There is only one reason why I am not paying you. I am losing money. I don't know how to stop the loss, so I have decided to quit. When I quit, I have a choice between sacrificing my home and family, or creating a loss for my creditors; and since I think some of my creditors, like yourself, are the principal cause of my difficulty—and I hope to prove that to you—I am going to let matters stand just as they are.

"As you know from my statement, I still had a good

The Sad Story of "Buying for a Bust"



Poor Information, Not Poor Judgment is the Cause of Most Credit Losses

equity in this business after I put the mortgage on the building and bought the bonds I mentioned. But that equity is gone. I used it for operating expenses and to pay creditors as long as I could. Under an assignment or bankruptcy—and understand, I am ready to make the assignment now—I will lose the equity of good will I have built up during the past several years which, given a fair break, I could have turned into good profits for myself in the future. By taking that loss, I think I am taking more than my share. My homestead is exempt. The bonds I mentioned are the property of my wife. I am not turning those over. I do not believe I am legally or morally obliged to do so. I think all of the assets of this business will sell under forced sale for enough to pay creditors probably 25c on the dollar; and the other 75% is the part of the loss you creditors must absorb."

There was a pause. It was apparent that Drury was expected to take up the conversation, but on what—and where to begin? This was a new experience. This fellow Brooks was obviously a good business man. He said Drury and other credit managers were responsible for his troubles. Certainly it wasn't the old story about too much credit—a new buyer, overbuying, and all that. There must be some other reason, Drury thought to himself. So he said, "From your remarks, Mr. Brooks, you have this whole matter pretty well settled in your mind. Evidently you consider your business hopeless, and you indicate that is due to something myself and other credit men have done. In fact, you said you were going to prove that we were responsible. I will confess I do not follow you; so, let's have it."

"Manufacturers Retail Outlet"

"I was expecting that," said Brooks, reaching in a desk drawer for a recent invoice from the Central Manufacturing Company. "I want you to take a look at just one or two items. Here, for instance, is your #2012, one of your leaders. Notice your price to me—\$24.00 a dozen. And here's your #2340, another leader; price, \$30.00 a dozen. Now, I dislike to take you out in this cold weather but, to finish this, you and I must take a short walk."

Up in the next block, across Main Street, Brooks stopped in front of a store boasting the sign, "Manufacturers Retail Outlet," and called Drury's attention to the window display. "Notice your #2012 there. See the price tag—89c. And there's your #2340; price, \$1.49—both of them being sold at retail for just about one-half of what I paid you for them. If you go inside, you can find more of your items being sold on the same basis. And before you say, 'Special sales prices!', just remember this concern has been here for ten months, offering this same merchandise at those prices. Do I need to tell you where my business went?"

"Your salesman assures me he is not selling this concern, and I know your house isn't cutting prices. There is only one possible answer. The merchandise in that store is coming out of your place and isn't being paid for. That means bad credits somewhere. It's your privilege to sell your merchandise where and how you see fit, but I can't meet that competition; so, I'm quitting."

"Well, this is certainly interesting," said Drury. "I see the point of your argument now. I am going in here to look things over, and I will see you back at your store later."

About thirty minutes later Drury walked into Brooks' office, to be greeted with, "Did you satisfy yourself?" "I did not," said Drury. "I found you were right. Not only is our merchandise being sold below wholesale prices, but I saw half a dozen lines of merchandise sold by other Capital City houses being sold the same way. The proprietor of the store is out of town. A clerk told me he understood the boss made a specialty of buying bankrupt stocks. That may be true but, whether it is or not, I don't think I can get much information here, so I am going back to Capital City and check up on this further. You will hear from me; and we can talk about your account later."

Selling Below Wholesale

On his way back to Capital City, Drury wondered about the merchandise. Where did it come from? Bankrupt stocks? No. He had been in some failures during the year but the bankruptcy schedules showed there wasn't enough stock left in them to explain the complete lines in the Manufacturers Retail Outlet. He decided the best plan might be to get some of the other creditors whose merchandise was involved together and talk it over. Anyway, they would want to know about Brooks' plans.

Credit Association to Rescue

Reaching his office, Drury 'phoned Bob Kelly, Secretary of the Capital City Association of Credit Men, and asked him to call the credit men interested, tell them the story, and arrange for a meeting. Kelly called him back a bit later, saying the meeting had been arranged for that afternoon.

Drury found five other creditors at the Association offices at the scheduled time. He told them his story. Like himself, they hadn't sold the "Manufacturers Retail Outlet", nor could they explain how their merchandise got there. Someone suggested a bankruptcy petition against Brooks to recover the money invested in bonds and in the home. Kelly told them it couldn't be done. Finally, it was agreed that they must either solve the problem of the Manufacturers Retail Outlet, thus hoping to induce Brooks to continue business or, failing in that, accept his proposition of an assignment, and their loss. They decided to place the whole matter in Kelly's hands.

"All right," said Kelly, picking up a sheet of paper from his desk. "I have been thinking of this since Drury phoned me and, if you want me to check into this affair, suppose we start right now. I have here a list of names. As I call each one, will each of you say whether you sold the account, and as nearly as you can recall, when, and how much?"

Five Bankrupt Accounts Checked

Kelly read off twelve names. There were five of them which every creditor present had sold. He made note of the time and amount of the sales. Then; "I'll venture that in every one of these cases you received a bankruptcy notice one day and were solicited for your claim by some individual the next day. Am I right in guessing that you either gave your claim to the first party who asked for it, or, if it had been placed for collection, you simply sent the bankruptcy notice on to whomever had your claim?"

"You were told that there were little if any assets; that there would be no dividend—and you forgot the matter. The bankruptcy schedules showed there was very little merchandise on hand; and that's right. But it wasn't disposed of through special sales, as you imagine. What really happened was that, as your merchandise came in the front doors of these establishments, it went out the back doors, bound for the Manufacturers Retail Outlet in County Seat. Because you found your merchandise in there, it is almost a certainty that place was operated as a fence by the same crowd that promoted these failures.

"Here is my reason for saying that. Each of these five concerns you sold is bankrupt, and every one of them was a crooked failure—a buying-for-a-bust fraud, and we know their methods. It's rather late to do much for you on the losses you have had, but I have an idea the Fraud Prevention Department of the Association is going to be very, very much interested in this Manufacturers Retail Outlet and its proprietors. By putting them on the job, they may be able to save Brooks as a good customer for you. I will ask them to investigate, and you will hear from me in a day or two."

Fraud Investigation Made

Late one afternoon a week later, the creditors again met in Kelly's office, at his request. Lee Brucker, fraud investigator for the Association, and, somewhat to their surprise, Brooks of County Seat, were also there. Kelly took charge of affairs and asked Brucker to tell his story.

"It's all quite simple," said Brucker. "We have been looking for the proprietors of the Manufacturers Retail Outlet. They have been under indictment for some former rackets of theirs, for two years. We have established by photographs that they are the people who engineered these other failures that Kelly found you were caught in. They are under arrest now. I am sorry that we didn't catch them before they made so much trouble for you, Mr. Brooks, but your cut-price competition is ended now."

"That is what I call a mighty fine job," said Drury, "but, Kelly, how did you get the names of those five busted outfits? How did you know they were crooked? I investigated them when I shipped, and they seemed to be perfectly good."

"I suppose," said Kelly, "that as your Association Secretary, I am expected to sympathize with you fellows, but I'm not so sure I do. In fact, my sympathy is with your customer—Brooks. Creditors sometimes misunderstand the work of the Association. They forget that it is engaged in several activities such as Fraud Prevention, Legislation, Credit Interchange, and the handling of insolvent accounts—and that each one has a definite service purpose. When they do forget, some good customer like Brooks pays the penalty."

Commercial Police Force

"The splendid results of the Fraud Prevention work of the Association speak for themselves. Just as our local police force is the greatest deterrent of crime, the fraud department has shown many that commercial fraud is dangerous. But professional crooks will always take chances. Even though we have a police department, each of us must do his best to protect his property. We can't leave it all to the police. And, as creditors, we must do our best to stop the buying-for-a-bust fraud artist. That

is just one reason for Credit Interchange Service in the Association.

"I don't know how or where you got information that justified your shipping those five concerns. I do know that, if you had asked for Credit Interchange Reports, you would not have shipped. Look at these warning notices on those accounts, issued by the Credit Interchange Bureau System. You can see from the dates that every one of them was in our files before you sold. Read them. They tell you that you were caught by a bunch of professional fraud promoters. You could have had that information in two minutes' time by phone.

"But that isn't all. After you have shipped, what then? You know how active your Association has always been in legislative work. Much of the credit legislation which protects you is the result of their work. Take your new Chandler Act, as an illustration. A splendid piece of legislation, but it can't accomplish miracles. It can't put assets in an estate; at best it can only conserve what is there. Why blame your bankruptcy law when an estate pays less than 10% to creditors? Why is it creditors do not discover a concern is failing before it becomes nothing more than a shell? And when a failure happens, then what? Do they let the Association know about it? These five cases are an illustration. Not a single creditor told us about them. Do you think we would have let them get by without investigation when we had the facts on them in advance through Credit Interchange? Why do you expect your bankruptcy courts to know when something is wrong when no one complains or gives them any facts on which to work?"

Cooperate Through your Association

"There again is where your Association can and will help you if given an opportunity. I'm certain you see how these various Association activities fit together. Those are some of the reasons why my sympathies in this case are with your customer, Brooks."

"That is very interesting to me," said Brooks. "I'm glad you finally caught up with that crowd. So far as my welfare is concerned, I wish you had done so a year ago. I know that isn't your fault, however. I want to tell you I think you fellows did a splendid job. My congratulations to you. But I expect what you credit men are thinking about is, O.K., Brooks, but what about our accounts? To be frank about it, I dislike to quit business. With this cut-price outfit closed, I have a fair chance. I've lost pretty heavily this year. I am still of the opinion that the blame is yours. I imagine it will take some time to build the business back. Perhaps I'm selfish, but I am going to hold fast to the home and reserve fund I set up for my family. That means I can't pay all my bills now, but I will make this agreement with you. If you will give me the same credit accommodations as before, over the next year, I will pay you 50% of your present accounts. When I have done that, you cancel the other 50%. Otherwise I am ready to make that assignment."

Lack of Information Cause of Loss

"I think you are dead right," said Drury. "You have always been a good customer of ours. I want you to continue in business. We caused your loss and I don't see why we shouldn't absorb our share. If you pay 50% of your account during the coming year, I will consider that as payment in full. (Continued on page 42)

Protect the Profit Goal Line

Strong Offense Is Best Defense

By William G. Betsch, Credit Executive, William Iselin & Co., Inc.,
N.Y. City, Chairman of Textile Fraud Prevention Committee

CEN In these days of uncertain business profits and narrow profit margins, can a credit executive be content to stand on the sidelines? Can he and his firm afford to witness the fraudulent activities of the commercial racketeer without raising a hand in protest. Or should he join a movement that is devoting its entire time and effort to combating the schemes of those individuals whose sole purpose in entering business is to defraud?

In short, should he be watching from the sidelines or actively helping to defend the profit goal-line?

Because a serious commercial fraud situation confronted the entire United States in the post-war years, and because the business interests of this country realized the significance of commercial fraud, they instituted an organization to fight the depredation of the commercial cheat. Now known as the Fraud Prevention Department of the National Association of Credit Men, its duties are the detection and prosecution of persons who resort to illegal practices in the operation of their business.

Former "G" Men Used

For this preventative work an organization of former G-men was brought together. Their experience and training enabled them to attack the root of the trouble. As a consequence of their work, the Fraud Prevention Department has accounted for the conviction of approximately 1700 business racketeers since its inception. For estates, it has recovered approximately two million dollars. This amount, incidentally, exceeds the sum subscribed by business firms for the establishment and operation of the service.

The Fraud Department, through its contacts, has been successful in building up a rogues gallery confined solely to convicted commercial fraud artists. This gallery has, on numerous occasions, been of assistance to other agencies—such as Federal, State and Municipal authorities—for the apprehension of individuals, by helping to clarify identification of those who have been operating under various names in different places.

Less than two months ago, the gallery proved its effectiveness when it helped in the identification and apprehension of one individual, whose many aliases had helped cloud his whereabouts.

As credit executives well know, no firm is immune from racketeer attempts of one kind or another to obtain goods with no thought of payment on the part of those getting the goods. It is true that many concerns have been more fortunate than others in this respect. But

eternal vigilance is still the credit manager's best safeguard for his firm's profits.

Fraud Prevention work has also brought about the recognition of the need of certain preventative legal measures, and it is, of course, impossible to make a dollars and cents computation of the amount saved for creditors through such measures.

In the period of its operations, the Fraud Department has aided the authorities in the prosecution of cases so well that more than 90 percent of cases brought to trial after investigation resulted in the conviction of the defendants. In the less than eight percent of cases in which defendants were acquitted, failure by the witnesses to appear at the trial or, if they appeared, failure to substantiate their original statements, were generally the reason for the failure of the prosecution.

In its work, the Fraud Department has received the fullest cooperation from prosecuting attorneys. This recognition of joint interest is decidedly mutual, for those who are officially charged with law enforcement are fully aware of the value of the Department's cooperative work. They realize that the Department's interest is solely in the apprehension and punishment of the violator of business laws, and that it takes no part in cases of a civil nature.

A considerable check to commercial fraud was noticeable through the nation-wide activity of the Department, several years after its inauguration. It was then considered practical to concentrate its activities on certain markets and areas and to certain fields of business in which the problem of commercial fraud was relatively more important than in others.

Textile Men Subscribed

During the past several years, the Uptown Group of the National Federation of Textiles, Inc., of New York City and many members of the New York Credit Men's Association, realizing the work's value as a fraud deterrent, have continued the operation of the service and have regularly subscribed the funds necessary for this purpose. All of the Department's work, as well as its finances, is supervised by a committee of subscribers. No work other than that involving commercial fraud is handled.

Continued operations have brought about an increasing reduction of indifference on the part of some creditors with respect to the importance of a policy of no compromise with commercial crime. This is particularly noticeable within the textile field previously mentioned, whose members, now more than ever before, realize the

importance of their policy in defense of their receivables.

I believe the procedure in connection with handling a request for investigation by the Fraud Prevention Department will be interesting to those who have not been rather closely allied to the work, and accordingly, I would like to outline it concisely.

Much like an insurance policy, Fraud Prevention service, although it does not contract for payment of money in case of loss, does guarantee—at the minimum—action by the Department's investigators upon every subscriber's complaint which warrants investigation. At the maximum, it includes not only aiding in the apprehension of the criminal but also a strong influence against the continuation or spread of fraudulent activity.

When a subscriber's complaint is received and then approved for investigation, an analysis of the case from its very beginning takes place. Should the results of the investigation indicate a possible violation of a Federal, State, or Local Law, a memorandum of facts is prepared by the Department. These details of information covering the alleged violation are submitted to the office of the particular prosecutor in whose scope of operation the case falls.

In cases involving violations of the National Bankruptcy Act, the proceedings are presented both to the office of the United States Attorney and to the Federal Bureau of Investigation. Such cases include concealment of assets as well as concealment or destruction, mutilation or falsification of books and records in contemplation of bankruptcy.

Filing of false claims, receiving of concealed merchandise, aiding and abetting or conspiring to violate the Bankruptcy Act, or matters of perjury, are also followed with a similar procedure.

Many times there are cases in which the investigation shows that false financial statements were issued for the purpose of obtaining merchandise on credit. If these were sent to prospective creditors through the mails, or if the mails were used in any manner in the furtherance of a scheme to defraud, the case enters the realm of federal prosecution and the facts are then made known not only to the local Federal Prosecutor but also to the Postal Inspection Department.

Sometimes use of the mails in a scheme to defraud makes it a violation of State Laws, as well. In the criminal codes of practically every state there are provisions for the punishment of individuals issuing false

financial statements to obtain credit. According to the particular state, such violations are classed as felonies or misdemeanors or lesser infractions of the law.

Following the obtaining of an indictment, the credit executive's interest in a fraud case then turns to the disposition which will be made of the case in court. During the past few years, there has been an increasing recognition on the part of judges and juries of the serious nature of commercial fraud. One judge, in passing sentence at the end of a case, said,

"You have brought disrepute to our city and made it hard for honest business men to obtain credit. It is not fair for men like you to besmirch the credit standing of this city—and then, when the case goes against you, to expect that you can go without punishment. We are going to take the profit out of commercial fraud dealings."

That is a concrete example of the growing judicial attitude. In general, the courts have been placing more severe sentences in recent years on convicted operators of commercial fraud schemes. There have been, of course, certain instances when credit executives have felt that the sentence was not severe enough for the particular case, but there is no doubt a growing recognition on the part of the enforcement, prosecution and judicial branches of the government that commercial fraud must be curbed.

The recent trend indicates and justifies the feeling that severer sentences will be imposed.

And there is no doubt that this tendency will make would-be fraudulent operators think twice, even thrice, before undertaking a scheme to defraud creditors.

Regardless of the lightness or severity of the sentence imposed, however, I know that subscribers to the Fraud Prevention service feel that the work in any case has been justified by the time an indictment has been issued, based on the work of the Department investigators. After all, the imposition of sentence is a matter over which neither creditor nor the Department has control. The final decision, of course, rests with the jury and the judge.

Let me "get down to cases" by citing a recent one in St. Louis. Two individuals made a "haul" of merchandise of considerable size. When they were finally brought to justice, they threw themselves on the mercy of the court, with a plea for leniency. The Federal Judge, however, through the cooperation of the Fraud Prevention Department and the official prosecuting authorities, had been fully acquainted (Continued on page 24)



Credit Outlook for 1939

A Summary of Some Favorable Factors

By J. W. Lerner, Assistant Secretary-Treasurer,
The Harshaw Chemical Co., Cleveland

ON There came to my desk recently, a set of statistics giving the relative position of all the important industries as between 1937, the low of 1938, and those current for 1938. I read them and the accompanying treatment. The significance attached thereto led me to abandon lunch as an economy measure, avoid contact with our Treasurer, lay up my car, and give up golf.

Later, there came a resume of recent utterances, publicity releases, etc., embellished with statistics of numerous bigwigs of the group who at present largely control or influence our political and economic destiny. Here seems to be a different picture and their statistics seem to lend support to their scene. Say they, "We are on the way—bumps and detours make the going slow—but progress has been made and the goal is in sight—economic royalists are on the run and the more abundant life crowds in upon us." Conflicting opinions of significance.

Evidently, both sides of this matter of the future have able statisticians capable of projecting curves—one to inevitable disaster, the other to Utopia. And there you are, you pay your money and you take your choice; the paying, however, is imperative. Statistics and statisticians seem as difficult to reconcile as the words are to pronounce. There seems to be analogy between their conflicting consonants which obstructs the easy flow of pronunciation and the figures and their alleged significance. Maybe, it's all spinach and the hell with it.

This is further characterized by the two Irishmen—Maloney and Casey. Maloney was reading a life insurance circular and asked—"Phwat's a 'table av expectancy'?" Casey replied: "Shure, it's something thot proves by statistics thot ye won't live as long after yez are sixty as yez did before."

We Guess on Reactions

As a result, the whole business community becomes a dippy doodle. Instead of trying to appraise the merits of particular situations, we spend our time trying to guess what the reaction of other people will be. Many of our markets, especially large, organized markets such as the Stock Exchange and the Commodity Exchange, become characterized by what someone has called negative elasticity. This is a condition exactly contrary to the supply and demand relationship—an advance in price causes an increase in buying, and a decline in price causes a decline in buying and an increase in selling. Why?—because participants are trying to beat the game. Too much business knowledge is devoted to trying to outguess the swings of the business cycle.

How much will business improve next year? Forecasts vary from 10% to 30%. All forecasts, however, must be predicated on whether peace is maintained abroad. If a war broke out on a continental scale, then this country assuredly would be shaken up for some time to come. Prevailing opinion seems to be that war somehow will be avoided in Europe. As one writer puts it, the guess is that the area of potential warfare will be larger in 1939 than it was in 1938. This month's decisions in Rome are likely to be important, but the real crisis is expected from Berlin in the Spring.

Averaging together the estimate of the professional forecaster with opinions of business men who have to guess right or take a beating, you get an estimate of 20%. American business is experiencing a rather sharp recovery from the low points reached during the spring quarter. While activity is still below the same period of last year, the spread has been rapidly narrowing until the difference in activity is very slight.

The important point, however, is that the rise has taken place almost as rapidly as the decline through which we went last Fall. Freight carloadings have been advancing, steel operations have doubled since last may, and residential building has increased steadily since last January.

A Look at Favorable Factors

You know even a judge can turn to his own mental resources, if circumstances are against him. A bedraggled individual indignantly denied that he was intoxicated when the police officer testified that he found the prisoner lying in the street. "Very well, then," retorted the versatile judge. "You're fined \$5.00 for parking more than six inches from the curb."

So let's go away out from the curb and look at the favorable factors for next year. Currently, all the private indexes of business and industry show substantial gains during the last five months. Building continues to surge ahead. Automobile production during December will total 400,000 cars and the output for January and February may approach about 300,000 monthly, while a higher figure is expected for March. Sales of cotton gray goods in the textile industry had a flurry of activity last week, an estimated total of 44,000,000 yards which is about double the present production.

Although the Government has been spending large sums for relief, the additional cash expenditures to stimulate heavy industries did not start until early Autumn. These initial expenditures, which were estimated to be around \$50,000,000.00 in September, are increasing at

such a rate that they are expected to reach a monthly total of \$600,000,000.00 by April, 1939. Thus the Government pump priming program which is being superimposed upon the normal improvement in industry that began early last summer is an added indication that the recovery movement is likely to continue.

Recovery, But Not Health

The U. S. will have recovery, but not health, and we have every indication of a prosperous 1939. At present, the tremendous pump priming of our Government and its resultant buying power are the things which are bringing prosperity. The same kind of pump priming is being attempted by governments all over the world, but not on the same scale.

It has been noted that the Government's approach to the situation of new construction is for the most part a realistic one. Through the original Housing Act, encouragement of private financing was achieved by the insurance of approved loans, made locally. Original authorization of the Act for this purpose was three billion dollars, of which nearly two billion, the previous limit, has been used with the demand for insurance still continuing. As a result, and under power of the Act, the President recently put at the disposal of the Federal Housing Administration the remaining unused but authorized billion dollars of insurance. It is certain that 1939 construction will top by a comfortable margin the dollar volume of 1938. The homestead private financing will contribute an even greater percentage of it than in the recent past.

For instance, the great accumulation of unused automobile mileage which occurred in 1937 and recurs every three to five years has been drawn upon to such an extent that it is now below normal and consequently, the renewed interests in automobile buying should carry the activity in that industry well into 1939. At present, new car sales are reported to be nearly one-third better than this time last year. Similarly, the low textile inventories brought about a sustained rise in textile production.

Influence of Election

For the time being, the effects of the election trend have been obscure. There is no reason to doubt, however, that they will eventually be felt. Evidences from Washington indicate that the message of the returns has been read in both the New Deal and the Congressional circles and that the 1939 program will be formed under more moderate influences than those of recent years. In other words, while no abandonment of policy is accepted

by the nation since 1933, there will be a slowing down of most kinds of legislation and amendment.

At the present time, there is some indication that international barriers to trade may be reduced by reciprocal trade treaties and that domestic impediments to trade reflected in increased business and marketing expenses may receive careful consideration, as this together with low inventories and easy money is the basis for believing that sales people may look forward to 1939 with a temperate optimism.

From the less favorable point of view, I am like the young lady in the information booth at a bus station who was approached by a worried looking young man who said, "I have to go to Hoboken."

"Well," replied the young lady, "are you asking for information or just telling me your troubles?"

From the banking standpoint, liquidation of commercial and consumer inventories has reduced both commercial and installment loans. This has swelled the already huge sums available for loan purposes. The effect is to encourage banks to make loans at very reasonable rates and also to make borrowers for both commercial and consumption purposes more willing to draw upon this source of funds when they are confident of buying products to good advantage. The effect of revaluing the dollar by 41% in 1932 has not yet run its course. The price of gold rose 70% and a general tendency began for commodity

Of their national legislature, the American people are asking:

- (1) Will Congress check our spending and reverse our deficit policy?
- (2) Will Congress keep our armament policy within reason?
- (3) Will Congress courageously put forth a farm program that is not a camouflage?
- (4) Will Congress insist on more equity and fairness in labor legislation?
- (5) Will Congress make our tax laws more economic and equitable?
- (6) Will Congress rationalize our relief problem?
- (7) Will Congress check our bureaucratic tendencies?
- (8) Will Congress keep social security within sane limitations?

—Henry H. Heimann in January
Monthly Business Review

prices to rise.

Besides this, in the four months intervening since July 1st, we have received over \$1,200,000,000 in gold, swelling our gold hoard to the tremendous total of \$14,091,000,000. It is not impossible for some of this gold to find its way into banking channels to widen the credit base. These monetary conditions make possible a very great increase in prices and the fact that this increase has not already fully materialized is due partly to various restraining governmental influences and partly to the lack of business confidence. The continual possibility of such a rise, however, may continue to bring about recurring periods of inventory accumulation and speculation causing fluctuating prices.

On the negative side, lack of confidence and a reasonable chance to make profit continues to restrain business men in undertaking marked expansion of activities. This lack of confidence is the fundamental reason for the past year's recession.

Four Reasons for Recession

We lost more ground in seven months than in the

four years 1931 and '32 because promises of profit which must be enough to encourage the taking of business risks have faded for several reasons:

1. Rising wages and further demands of labor indicated increased business expenses without corresponding increases in income.
2. Higher taxes on corporate income and a special tax on undistributed profits made it less advantageous to plow profits back into the business in the form of equipment and capital goods.
3. Increased taxation on personal incomes in higher brackets greatly reduced the personal reward for taking chances.
4. Government expenditures for want of a balanced budget have indicated that taxes might go still higher in the future.

Of course, there are various hinderances to trade. Federal and State price maintenance clauses and some new legislation on unfair trade practices including the Robinson-Patman Act have merits when considered by themselves, but as a group act as a check to trade.

The same may be said of increased wages, shorter hours, and other economic rigidities which in the final analysis often cause an increased burden on primary producers by widening the expense spread between them and consumers and lowering prices paid to farmers, lumbermen, and the like.

Business Span Five Years?

Data recently contributed to the so-called Monopoly Investigation imply that the average life of a business firm is about five years. In times of generally accepted prosperity, this average in certain lines, especially in the field of distribution is not much greater than five years. The reasons are not at all to be found as is widely believed in the high costs attributable to taxes and other external causes. Many of them are inherent in the distributive system and not the least of these is individual incapacity. Freedom to choose a means of livelihood does not carry with it a guarantee of success in the chosen field.

Neither the world nor the Government owes every man a living in the face of his inability to make a living doing what his ambition sets him to attempting. There is a suggestion in the Federal Administration circles of a plan to extend the F. H. A. idea, as guaranteeing housing mortgages to assist and designed to provide loans for small business. Some of the commentators see in this a purpose that is more political than economical, a motivating desire to revive an apparently dwindling friendliness on the part of small business.

There is reason to suspect such a motive because much of the complaint in certain business circles of the unwillingness of the banks to furnish adequate credit facilities, simmers down to a well-founded lack of confidence in the credit risks. The fact that small business is not so sound as is to be desired should be faced without fogging it with popular but not wholly accurate reasons why the mortality of such ventures is so distressingly high.

Many investors will be attracted into industries that appear profitable, but with which they have no knowledge and where they believe that reasonable investments can be made and enjoy good earnings. This will be one of the hazards in dispensing credit in 1939 because where the principal has only knowledge of distribution and must

rely on someone for the manufacturing assistance, he is likely to encounter considerable difficulty.

Hazards of New Capital

One of the most costly items in a very freely competitive field of distribution is the ability of a novice to get credit to start something which he cannot hope to maintain. Business losses through failure are enormously out of proportion to the potential earnings of business. Easier credit is no assurance that this proportion would be reduced. It might be increased thereby. The success of the Government's credit venture in the housing field is no criterion of what it could do in business loans. Real estate slumps are usually the result of unrestrained and unwarranted booms. Business failures are everyday affairs. The Government could make better use of its borrowed money in finding out why this is so, in a thorough diagnosis of the ailments of the distributive system.

In our preoccupation with the business cycle, we are not paying enough attention to the major job of building new industries, ferreting out new consumer wants, devising cheaper methods of production, and inventing short cuts in distribution. The trends with which we should be concerned are those of the normal rise and fall of particular industries. There are plenty of instances, in every depression, of industries that are moving contrary to the general decline because they are new and growing. If business enterprise would devote itself more whole heartedly to developing more such growing industries and relegate the business cycle to the background, I venture to say that the excesses of the cycle paradoxically enough would be greatly mitigated.

If we can transfer from the pump-priming recovery initiated by the Government to a long term recovery carried forward by business we will be solving one of our most serious economic problems.

The only way in which we have made recoveries in the past has been through long-term financing due to increased production of durable goods. American capital has not been replacing itself, but has been consuming itself and will continue to do so until a normal flow of new capital for expanding enterprise is restored. My guess is that about one-fourth of the previous inventory investment has been used and that when the volume of business picks up, it will prove even more inadequate.

Plant Equipment Market

Care will have to be exercised to locate those companies whose plant equipment is out-moded and where competition from concerns with up-to-date equipment will force them into reorganization programs because it is difficult today, unless there is sufficient fixed capital to make these improvements, to satisfy them out of profits. Striving to increase sales volume by cutting prices will probably be more in evidence in 1939 and here again, the place for sales volume when not related to cost and increasing taxes and customers' acceptance is likely to prove very misleading.

There is no question but what the recent legislation has caused corporations to look more carefully at delivery costs, the alertness of their Sales Department in limiting their activity to calls on potential prospects and endeavor to learn whether their products are receiving the same form of acceptance as their competitors. With the banks eager to loan money on

(Continued on page 28)

"Our Terms Are 2% — 10 Days"

Analysis of How Cash Discount Troubles Developed

By L. W. Stolte, Fairbanks, Morse & Co., Cleveland, O.

FM As Branch Credit Manager for a large manufacturing company with a diversified line of products ranging from baby scales to municipal Diesel power plants,

I too, am haunted by a wide divergency of terms, datings, and last but not least, "term chisellers."

In discussing cash discounts, unearned discounts, anticipation, and interest on past due accounts, let us first go back to the period of the Civil War when the promissory note and trade acceptance formed the basis of our credit.

After the Civil War there followed a period of reconstruction when our banking facilities were inadequate and specie payments were suspended. The country was then flooded with green-backs, in which the public had no confidence, and in turn made the value of credit instruments uncertain.

By the great expansion in our railway system, it was possible for the seller to reach new and wider markets for his merchandise.

Personal Contacts Lost

Prior to this time, our nation was primarily an agricultural people and was now gradually changing to an industrial people. With a low per capita wealth and inadequate banking facilities, the new merchants had to be financed by the seller and, therefore, terms up to six months and even more became common. The seller had always called on his trade; however, with increased markets, we entered a new era of selling, and there came into existence what is now known as travelling salesmen, who was then called the "runner" or "drummer." Thus was eliminated the personal contact between the seller and the buyer. Along with this change naturally there was lost, or at least reduced, the confidence of the seller in the buyer whom he mostly never saw. Consequently, the seller attempted to sell on shorter terms. These factors tended to change the basis of credit from the note and acceptance method to our present open account and cash discount system.

Let us consider the chief reasons for the cash discount.

First, the seller realized that by selling for cash, he could avoid bad debt losses; and

Secondly, he could use the money in his own business for working capital and thereby increase his profit by taking advantage of cash discounts being offered to him.

Terms Are Now Shorter

As I mentioned before, the terms of sale had been as high as six months or more, and it became a common practice for the seller to offer the same customer eight to ten per cent cash discount for payments within ten days. To-

day, open account terms are shorter and cash discounts smaller, although during the last depression, terms did lengthen and in some industries cash discounts increased.

In our own industry, we did lengthen terms in some cases but cash discount percentages were stationary. The average settled at about 2% ten days, net thirty or sixty days. This change came about through increased banking facilities, as well as greater resources on the part of manufacturers and wholesalers who were glad to assume the credit burden. As the credit risk improved, the great difference between cash price and credit price was not necessary.

In making a brief analysis of cash discounts and also the additional profit available to your customers by taking advantage of discount, let us use the following example—

A \$100.00 bill of goods is sold on terms of 2% 10 days, net sixty, in which case the purchaser has an option of paying \$100.00 in sixty days, or \$98.00 in ten days—the discount which amounts to \$2.00 is often regarded as a premium allowed by the seller for advance payment of bill. However, this theory is regarded erroneous, and most authorities on the subject agree that in the strict sense of the word, the price given was camouflaged. The merchandise was not worth \$100.00 but \$98.00—prices are arrived at by cost plus per cent of profit basis plus the amount or per cent of discount added in, in which event the seller is willing to accept \$98.00 in full payment of the invoice but requires \$2.00 extra for reimbursement for loss of the use of the \$98.00 for 50 days; also, for the credit risk he is accepting.

2% a Financing Profit

Therefore, the 2% is a financing profit obtained from the buyer who is unable to take advantage of the discount. If he fails to exercise this option, he pays a financing charge to the supplier at a cost of approximately 15% per annum, or 14.89% to be exact. With 6% being considered a normal rate of interest, the purchaser is paying 8.89% more than the value of money for being financed by his supplier. This 8.89% is not considered profit to the seller since he has additional costs incident to this outstanding credit of which he would be free if the account was handled on a cash basis.

In industries where all of the output is sold on discountable terms, the allowance of such cash discount would tend to divide their customers into three classes—

1. Those who discount and represent good credit risks, or are in a position to borrow capital if necessary and discount all purchases.
2. Accounts representing limited capital not necessarily bad credit risks but who do not discount but pay when

due on a net basis because of a lack of capital.

3. The class of accounts who fail to take discounts or pay when due and are continually a credit and collection problem.

Figured on Yearly Basis

From my own experience, selling possibly 85 to 90% of our sales on net terms, or contract terms, the matter of discount is not a serious problem. Many credit executives have had interesting experiences in putting on definite educational campaigns to educate their customers to take discounts. In attempting to convert net or slow payers into discounters, they quote tables, pointing out an additional profit to their customers, along the following lines:

Percent	Days	Net	Percent per annum
1%	10 days	net 30 days	18% per annum
2%	10 days	net 30 days	36% per annum
2%	10 days	net 60 days	14% per annum
3%	10 days	net 30 days	54% per annum
3%	10 days	net 60 days	22% per annum
4%	10 days	net 60 days	29% per annum

As I mentioned before, only a small percentage of our business is on a cash discount basis. Where we do sell to dealers or distributors on a discount basis, our product does not represent a major item to the dealer or distributor, and therefore, we have not devoted any time to this type of educational work.

Likewise with only a small amount of business on discountable terms, our problem of excess discount, discount on net terms, or discount on invoices when the discount period has lapsed, is negligible. We do, however, have a few dealers, distributors, or new customers to whom we quote net 30-day terms and who take discount on the first bill of goods. If the amount involved is \$1.00 or less, the check is used and the discount allowed. The matter is immediately called to the customer's attention, suggesting that possibly it was an oversight on his part and this is done to avoid any deductions of this nature on future invoices. If the incident recurs, we promptly return the check, asking that a corrected check be mailed or additional remittance to cover the discount taken in error. In the past, we have had no collection problems by so handling unearned discounts or discounts taken in error on net invoices.

Creates Collection Problem

I fully realize that this procedure can create a collection problem or antagonize the customer to the extent of losing business, or in the case of bankruptcy or failure by the customer, the returning of a check may cause you to lose the entire amount of your account.

In the matter of a questionable credit, I would do the same as any other credit manager, and that is, accept the check and attempt to collect the discount.

To those of you who have a great number of "term chisellers" I would suggest that you read two very interesting articles on this subject in the January and February 1938 issues of "Credit and Financial Management"; also the article in the March issue of "Credit and Financial Management" entitled "The Trouble With Discounts."

The collection of discounts not allowable reminds me of a story I heard recently of a mother who was attending a lecture on psychology at the May Company, and who left her son, Johnny, in their play-room. After she

had listened to the lecture on psychology on "How to Handle People Without the Necessity of Force" she called for her young son in the play-room; however, he refused to get off the merry-go-round. After trying every method possible to persuade him and avoid herself any embarrassment, she decided to return to the tea-room and ask the psychologist to talk to her son. He agreed and returned to the play-room with the mother. He whispered a few words in the boy's ear and the boy immediately jumped off the merry-go-round and rushed to his mother. On their way home, the mother asked Johnny what the man had whispered in his ear but Johnny refused to tell. That evening, after dinner, Johnny's mother explained the incident to his Dad, and later that evening Dad questioned Johnny. After some persuasion as to what the psychologist had whispered in his ear, Johnny weakened and said—

"The man whispered in my ear—'GET OFF OF THERE, YOU LITTLE BRAT, BEFORE I KICK YOU OFF.' From my meager experience with problems of this nature, I am inclined to believe that it occasionally becomes necessary to use the strong-arm method on this type of customer.

Wide Variety of Terms

In our industry we have had a wide range of terms, such as 30 days net; 2% 10 days, net 60; 2% 15 days, net 60; 2% 10th proximo, net 60; and 90 days net.

Each set of terms applies to a certain line of products and many of the terms are necessitated by competition in that particular line, but they have been stationary for a number of years.

Our finance plan for heavy machinery not only calls for monthly payments but may be handled on a quarterly, semi-annual, or annual payment basis. These terms are arranged to meet seasonal industries such as ice plants, cold storage plants, and small coal mines. The deferred payment contracts call for terms from four months to six months—ninety days net is considered cash terms. We also sell certain products on seasonal dating although it is sometimes felt that salesmen sell terms rather than the product.

The manufacturers take upon themselves the function of assisting dealers and distributors in financing their products, which are purchased for subsequent selling seasons.

Advantages of Datings

There are many advantages, as well as evils, resulting from the practice of giving datings. Seasonal datings do, however, assist the manufacturer in keeping his plant running on a production basis, during the off-season, and avoid congestion during the rush season.

The manufacturer is also relieved of carrying heavy inventories to meet rush season demands. There are also certain definite advantages to the buyer. For instance, he can have the stock on his floor and can usually sell the merchandise long before the invoice matures, or possibly before the discount period expires. The most marked disadvantage to the manufacturer is the somewhat increased credit risk, although such datings should only be extended to desirable credit risks. A great deal of seasonal datings is brought about by competition in some of our lines, such as water systems, hammer-mills, feed grinders and washing machines.

In some industries there is a practice of allowing additional discount for anticipation of seasonal datings. By allowing anticipation, the seller turns his accounts faster, eliminating frozen capital and the necessity of borrowing working capital. We do not offer any anticipation discount nor do we allow it if taken by our customers. I might mention that in the past five years, we have had only one case of anticipation and that was on a first order and we had no difficulty in correcting the practice without losing the goodwill of our customer.

Interest on Accounts

The idea of charging interest on past due accounts may or may not have been conceived at the birth of the discount era. In any event, it seems so closely allied with the principles as to give rise to sound reason and logic that with the allowance of discounts, there should come a charge for accounts not paid when they mature. This idea has been tried by many concerns over a period of years, abandoned, and then tried again, until I believe only a few concerns today are charging interest on open accounts unless the account has become a collection problem, and sometimes not even then unless suit is filed. Interest is usually charged if the account is on a deferred payment or finance plan and notes are given, secured by conditional sales contract or chattel mortgage.

In our own company, we have made a practice of charging interest on open accounts after they are 30 days past due—the interest charge, however, is not made as a direct charge to the accounts receivable but is shown as a memorandum only on the ledger sheet, and is added each month to the customer's statement of his account. Authorities on this subject feel that the policy of adding interest to accounts has been abandoned for the following reasons—

1. It increases their accounts receivable fictitiously, throwing them out of line of the true value or turn-over to sales.

We, however, in our business have, as I stated above, overcome this by making a memorandum only on the ledger sheet.

2. They feel that it creates a definite collection problem.

I frankly admit that we collect a very small percentage of interest on open accounts; however, the amount col-

lected does justify the work involved, especially on accounts that we have carried for months and even years through the last depression, and on which we were successful in collecting substantial amounts of interest.

3. That it is contrary to the general custom and hard to educate customers to this idea.

From the small percentage of interest collected, I am inclined to believe that this reason is correct.

4. It causes loss of business.

I am inclined to disagree with this reason for we have never insisted upon payment of interest on open accounts to the extent that we created ill-will with our customers.

5. It causes loss of collectible accounts receivable which would have been collected without the interest item.

Occasionally we have a customer object to the interest added on a statement, in which event he mails in a check for the account less the interest, and we accept it in payment of his account. In some instances where the amount involved was substantial, we wrote to the customer, justifying our position and in some cases, made partial settlement of the interest item.

6. It creates unnecessary bookkeeping and collection expense.

We spend very little time each month adding interest on past due accounts for they must be at least 30 days past due, and interest is not added on small items. With the largest percentage of our past due accounts being note ac-

counts, representing deferred payments on machinery, which notes specifically call for interest, the amount involved and the expense of adding interest is trivial.

7. The amount of interest or returns does not justify the expense, trouble or loss.

Good-Will All Important

If a great percentage of our business was done on open account terms, and a high percentage past due, I would say, yes; however, as previously explained, the small percentage of delinquent accounts coming under this caption and being subject to an interest charge, is negligible.

In conclusion, I would like to say that despite the numerous articles written on "term chisellers," "unearned discounts," and "interest on past due accounts," we in the Credit Department, must not overlook the investment our company has made in securing and selling its customers, and also, in establishing the good-will of those customers.



A Good Collector Believes in Santa Claus

The Law on Credit Frauds

What Statutes Call Misrepresentation

(Continued from January)

By Herbert E. Armstrong, Attorney, Rutherford, N. J

IN the situation, where a seller without any suggestion from the buyer refers to an agency report based on the buyer's false statement, the seller may seek his remedy for the buyer's fraud and that the seller has a remedy under such circumstances is fair and just; both as to him and to the buyer. The buyer when he made his statement to the agency knew that a credit rating would be based on it and that it would go into the hands of the agency's subscribers or others who might refer to the agency's reports. He also knew and intended that these parties would rely on the rating and therefore must be held responsible as though he had made the misrepresentations directly to those parties.⁴⁰

What If No Statement

The credit reporting agencies sometimes gather information about a merchant and publish a rating for him without having received any financial statement or other representations from the merchant. If a buyer refers a seller to an agency for the purpose of securing the buyer's credit rating, the buyer, in effect, makes a representation that the rating is correct and approves it as a basis for the extension of credit to him by the seller. If the seller, in relying thereon, ships goods and then discovers that the buyer's credit is not as good as represented, he may resort to the remedies available to him for the fraud of the buyer.⁴¹

In the last situation, where the buyer has neither furnished information to the credit reporting agency nor referred the seller to the agency's rating based on its independent investigation, the buyer should not be held responsible for misrepresentations which he took no part in originating and circulating, and to which he has not actually given his approval by referring his seller to the rating.⁴²

A buyer, in making representations regarding his business and his financial standing, might make some false representations either inadvertently or without intent to defraud. If a sale of goods is made on credit in reliance on such statements, the seller cannot maintain an action of deceit for damages since the essential element of knowledge is lacking. The seller may, however, rescind the

sale and replevy the goods for innocent misrepresentations.⁴³

In order that misrepresentations shall constitute a fraud sufficient to move a court into granting relief to a seller, the representations must be material; they must have induced the seller to enter into the contract. There is no definite measure or test of materiality.⁴⁴ If the seller should ask for specific information in regard to the buyer's financial condition, such as the kind of books he keeps, if he had ever burned out, or failed in business and the information supplied by the buyer is shown to be false, the case should then go to the jury on the question of materiality. The jury should be directed to find that the misrepresentations are material where they are such, that but for the falsity of the representations, the seller would not have extended credit.

The representations, however, may be so clearly material that the court will declare them to be such as a matter of law. The Wisconsin court, in a holding on this point, said:

"It seems apparent that all of the three principal representations—solvency, large amount and unencumbered condition of assets and profitable condition of business—were material as matter of law. * * * While materiality of the facts represented is essential to the maintenance of an action of deceit, yet such materiality may be so plain that the court should decide it as matter of law * * *."⁴⁵

Absence of Specific Representations

When a seller has had a series of transactions with a

⁴⁰ *Field v Morse*, 54 Neb. 189; 75 N. W. 58 (1898); *Hart v Moulton*, 104 Wis. 349; 80 N. W. 599 (1899). There are cases to the effect that the remedies of trover or replevin are not available for recovery against a purchaser who has obtained goods by innocent misrepresentations. *Johnston v Bent*, 93 Ala. 160; 9 So. 581 (1890) (trover); *Morse v Dearborn*, 109 Mass. 593 (1872) (replevin). Later decisions recognize that innocent misrepresentations will be sufficient basis to maintain an action at law. *Montgomery Door Co. v Atlantic Lumber Co.* 206 Mass. 144; 92 N. E. 71 (1910); *Seneca Wire & Mfg. Co. v A. B. Leach & Co., Inc.* 247 N. Y. 1; 159 N. E. 700 (1928).

⁴¹ Compare *Fixel, False Financial Statements* (2d ed.), sec. 8 where the rule is stated as follows:—"In order that a representation be material, it must influence and induce the transaction, and must be a representation going to the very essence of the contract which results in the delivery of property or money on credit." This rule, as stated, seems too strict in that a representation might be made with reference to a particular condition that the parties did not have before them as the main feature or subject of the contract, yet this representation may be such as to induce the representee to enter into the contract. See *Haimowich v Mandel*, 243 Fed. 338 (C. C. A. 3d 1917) financial statement omitted item of \$6000 of bills payable; *Barber v Whitaker Mfg. Co.*, 180 Ark. 183; 20 S. W. (2d) 864 (1929) buyer falsely stated, "Our financial condition is a great deal better by about \$45,000 than it was July 1, 1926"; *International Shoe Co. v Hughes*, 205 Wis. 474; 237 N. W. 77 (1931) misrepresentation in financial statement of net worth.

⁴² *Shaw v Gilbert*, 111 Wis. 165; 86 N. W. 188 (1901).

⁴⁰ *Eaton, Cole & Burnham Co. v Avery*, 83 N. Y. 31 (1880); *Tindle v Birkett*, 171 N. Y. 520; 64 N. E. 210 (1902).

⁴¹ *P. Cox Shoe Mfg. Co. v Adams*, 105 Iowa 402; 75 N. W. 316 (1898).

⁴² *P. Cox Shoe Mfg. Co. v Adams*, 105 Iowa 402; 75 N. W. 316 (1898).

buyer and has sold goods without having suffered any loss in extending credit to him, the seller may become less cautious and cease requiring a periodical financial statement or other information from him. The buyer, meanwhile, might be getting into business difficulties which adversely affect his ability to pay his bills when due. Then the seller, who believed this particular buyer to be a model of financial stability, receives a rude shock upon news of bankruptcy or receivership. What can the seller do? The buyer has not made any representations as to his financial condition; his conduct towards the seller in this respect has been negative in character; he has said nothing.

The seller may have been dealing with a buyer whom he supposed to be financially sound but who has been actually insolvent although not adjudged so by a court. Despite his insolvency, the buyer might reasonably have been purchasing goods on credit with the hope and expectation that his difficulties were only temporary and that he would soon be able to pay his debts and maintain the seller's confidence. The law does not consider it a wrong for an insolvent to purchase goods on credit if he does so in good faith intending to pay for them, even though it develops that he cannot pay and his seller suffers damages.⁴⁶

Promise to Pay Implied

When a person purchases goods, he impliedly promises to pay for them. This implied promise amounts to a representation of fact that the buyer has the present intention of performing his promise. A purchase of goods without a disclosure of intent not to pay is a fraudulent misrepresentation.⁴⁷

However, undisclosed insolvency is not such a fraud that the courts will allow an action based on rescission for recovery of the goods.⁴⁸ The insolvency must be coupled with an intention not to pay for the goods in order that an action may be brought.⁴⁹

Courts have recognized that a fraud committed by misrepresentation of fact and a fraud committed by purchasing with an intent not to pay are separate wrongs and neither is dependent on the other to allow the seller to recover his goods.⁵⁰

Although the buyer may have made his purchase in good faith intending to pay for the goods, his actual financial condition may be such that his chances of actually being able to pay are extremely remote. Some

⁴⁶ *Illinois Leather Co. v. Flynn*, 109 Mich. 91; 65 N. W. 519 (1895); *Nichols v. Pinner*, 18 N. Y. 295 (1858).

⁴⁷ *Bugg v. Wertheimer-Schwartz Shoe Co.*, 64 Ark. 12; 40 S. W. 134 (1897) (replevin); *Swift v. Rounds*, 19 R. I. 527; 35 Atl. 45 (1896) (deceit).

Contra: Proof of an intent not to pay may frequently be found in the buyer's financial distress at the time of the purchase. See cases cited *infra* note 51.

⁴⁸ *Illinois Leather Co. v. Flynn*, 109 Mich. 91; 65 N. W. 519 (1895); *Nichols v. Pinner*, 18 N. Y. 295 (1858).

⁴⁹ *Donaldson v. Farwell*, 93 U. S. 631 (1876); *Phinney v. Friedman*, 224 Mass. 531; 113 N. E. 285 (1916). In Pennsylvania, insolvency coupled with an intent not to pay is insufficient for a recovery of the property sold; there must have been actual artifice, intended and fitted to deceive. *Smith v. Smith, Murphy & Co.*, 21 Pa. 367 (1853).

⁵⁰ *W. W. Johnson Co. v. Triplett*, 66 Ark. 233; 50 S. W. 455 (1899); *Reid v. Cowduroy*, 79 Iowa 169; 44 N. W. 351 (1890); *Hart v. Moulton*, 104 Wis. 349; 80 N. W. 599 (1899).

⁵¹ *Gillespie v. Piles & Co.*, 178 Fed. 886 (C. C. A. 8th 1910); *California Conserving Co. v. D'Avanzo*, 62 Fed. (2d) 528 (C. C. A. 2d 1933); *In re Huffine & Clark, Inc.*, 8 F. Supp. 753 (W. D. N. Y. 1934); *Maxwell v. Brown Shoe Co.*, 114 Ala. 264; 21 So. 1009 (1897); *Phinney v. Friedman*, 224 Mass. 531; 113 N. E. 285 (1916).

⁵² 62 Fed. (2d) 528 (C. C. A. 2d 1933).

⁵³ See *In re Kyte*, 174 Fed. 867 (M. D. Pa. 1909).

courts have allowed a recovery of the goods where the buyer lacked a reasonable belief in his ability to pay.⁵¹ In allowing recovery on such facts, the court said in the *California Conserving Co.* case:⁵²

"A number of federal court decisions hold that it is a fraud, for an insolvent, concealing his condition to buy goods for which he does not mean to pay. No difficulty in the application of this doctrine arises when it is proved that the buyer positively intends not to pay; but that is not often the case. He may mean to pay if he survives, though he knows that he is extremely unlikely to do so. A man's affairs may reach such a pass that ordinarily honest persons would no longer buy, if they had no greater chance to pay; and the seller is entitled to rely upon that implication. He may assume that the buyer would not promise if the odds were so heavy against him. He may read the promise as more than a declaration of conditional intent, as affirming that that intent had reasonable hope of fruition. In that event, if the buyer knows that it has no such hope, he deceives the seller as much as though he intended not to pay at all. If the buyer himself believes his position to be desperate and if he understands his promise to mean what it ordinarily would, the seller may rescind."

Continuing Representations

When a seller requires that a prospective buyer shall submit a financial statement as a condition precedent to the privilege of buying merchandise on credit, the statement is generally used as a basis of granting credit for a series of transactions. These transactions will occur throughout a period of time; perhaps no more than several weeks or perhaps a long course of dealing extending indefinitely into the future. A buyer's financial condition does not always remain the same, there are daily changes in the elements constituting his assets and liabilities, and over a period of several weeks the character of his assets and liabilities may have so changed that the seller would no longer care to extend to this buyer the amount of credit allowed him in the past or the seller would refuse to extend any further credit at all.

Therefore, the question arises as to how long may the seller rely on the buyer's statement as representing his financial condition and to what extent is the buyer under a duty to notify his seller in regard to changes in his financial condition before he makes any further purchases on credit. In absence of any stipulation in the statement limiting the time for reliance on the statement or defining the buyer's duty to give notice of changes in his financial condition, a representation as to a buyer's financial condition may be relied upon only for a reasonable time,⁵³ which, of course, is not measurable by any exact number of days.⁵⁴ Naturally, such a rule leads to difficulties for it is probable that there would be occasions when the buyer and the seller, during the course of their dealings, would not make the same determination as to what is a reasonable time in their situation.

⁵⁴ See *Haimowich v. Mandel*, 243 Fed. 338 (C. C. A. 3rd 1917). Sales made a few months after the date of the representation have been held to have been made justifiably in reliance thereon. *Mooney v. Davis*, 75 Mich. 188; 42 N. W. 802 (1889) (six months); *Newark Live Poultry Co. v. Fauer*, 118 N. J. L. 556; 194 Atl. 270 (Sup. Ct. 1937) (five months). In *re Braverman*, 199 Fed. 863 (S. D. N. Y. 1912) held that eighteen months is too long a period for a statement to be continuing for a sale to be made in reliance on it.

In order to give the seller the full benefit of his right to rely on a financial statement as a continuing statement, the buyer should be held to be under a duty to notify the seller of any material changes in his financial situation since the statement was submitted.⁵⁵ As liability under this rule would depend upon what is a reasonable time, its observance in business practice will raise difficulties because of the fact that the "reasonable time" rule as discussed above is so flexible that the buyer and seller will be frequently in disagreement as to whether or not the buyer should have notified the seller of some material change in his financial condition.

Duty to Notify of Changes

To avoid the uncertainties as to the length of time during which a statement may be relied upon and to place the duty on the buyer of giving notice of changes in his financial condition, business houses have incorporated stipulations in the financial statement forms which they supply customers buying on credit. These stipulations vary in the language used but they all make an attempt to require the buyer to notify the seller of changes in his financial condition and to give the seller the right to rely upon it as a new and original statement upon each sale of goods on credit.⁵⁶ If credit is extended in reliance on a financial statement containing a stipulation with this effect, the buyer will be held bound by it if material adverse changes, of which he has failed to inform the seller, have occurred since the issuance of the statement.⁵⁷ If the statement was false when made, the buyer will be held bound by it; the stipulation serving to avoid the "reasonable time" rule.⁵⁸

Stipulation Continues

The stipulation continues the statement in effect as a representation despite the elapse of time. In *Fruit Dispatch Co. v Wolman*,⁵⁹ the court in construing a stipulation similar to that in the *Atlas Shoe Co.* case, though less precise, said:

"That statement should have the construction placed upon it which the parties intended it to have at the time it was executed. It plainly states that it was submitted 'for the purpose of obtaining credit now and hereafter for goods purchased,' - - - - - this provision is expressly made applicable to all goods thereafter purchased. The language so employed must mean credit for more than one transaction—that the statement was submitted for the purpose of obtaining a line of credit. The closing clause of the opening sentence, 'and will immediately notify

⁵⁵ See *Mooney v Davis*, 75 Mich. 188, 192; 42 N. W. 802, 803 (1889); *Cortland Mfg. Co. v Platt*, 83 Mich. 419, 430; 47 N. W. 330, 333 (1890).
Contra: *Reid, Murdock & Co. v Kempe*, 74 Minn. 474; 77 N. W. 413 (1898).

⁵⁶ See form approved and published by the National Association of Credit Men:—

"The foregoing statement has been carefully read by the undersigned (both the printed and written matter), and is, to my knowledge, in all respects complete, accurate and truthful. It discloses to you the true state of my (our) financial condition on the day of..... 19... Since that time there has been no material unfavorable change in my (our) financial condition, and if any such change takes place I (we) will give you notice. Until such notice is given, you are to regard this as a continuing statement."

See *Atlas Shoe Co. v Bechard*, 102 Me. 197; 66 Atl. 390 (1906) for the form used by the plaintiff. The statement provided that it may be considered as a continuing statement of vendee's affairs, "and a new and original statement of our assets and liabilities upon each and every purchase of goods from them hereafter until we advise them in writing to the contrary."

⁵⁷ *Atlas Shoe Co. v Bechard*, 102 Me. 197; 66 Atl. 390 (1906).

⁵⁸ *Gerdes v Lustgarten*, 266 U. S. 321; 45 Sup. Ct. 107 (1924); *Ragan, Malone & Co. v Cotton & Preston*, 200 Fed. 546 (C. C. A. 5th 1912).

⁵⁹ 124 Me. 355; 128 Atl. 740 (1925).

you of any material change in their financial condition', must be construed as a representation to the party to whom the communication was addressed, that it might rely upon the statement as a true statement of financial standing, not only in the present but for the future, unless notice of change was given. It would be unreasonable to limit the scope of the statement strictly to the time it was made, when in terms it refers both to present and future dealings. The undertaking to give notice of any material change in financial condition cannot be construed as an independent promise only, and capable of separation from what precedes and follows. The entire statement reaches forward in point of time and covers the future financial condition of defendant, as well as future transactions between the parties."

When a person signs a financial statement containing a stipulation such as is under consideration, there can be little doubt that the effect he intends to give the statement is precisely that as provided for, so long as the wording of the stipulation conveys a clear impression regarding its effect. The statement must be carefully drawn and there must be nothing contained in the statement which might have a tendency to limit the effectiveness of a stipulation.⁶⁰

Federal Court Decisions

In 1922, the federal courts effected an uncertainty regarding the rules governing the effectiveness of a stipulation. As a result of a circuit court of appeals decision, a stipulation might be limited in its effect by conditions or circumstances apart from those concerning the immediate submission of a financial statement. This uncertainty was later cleared up in *Gerdes v Lustgarten* where the Supreme Court held that extrinsic circumstances cannot be claimed to affect or modify a stipulation; which claim the circuit court of appeals had made in regard to the financial conditions existing in the United States during 1920.

As to the wording to be used in a stipulation, the language should clearly indicate that the statement is to be considered as a continuing statement and that the buyer will give notice of any material unfavorable change in his financial condition.

⁶⁰ Cf. *International Shoe Co. v Kahn*, 22 Fed. (2d) 131 (C. C. A. 4th 1927). In bankruptcy in opposition to application for discharge. Kahn, having been adjudicated a bankrupt, his application for discharge was opposed by the shoe company as a creditor claiming that the bankrupt had obtained merchandise from it upon a materially false statement in writing made by him for obtaining credit. The statement was made on April 19, 1922, upon a printed form furnished by the company and contained the following clause over the bankrupt's signature: "The above statement is made for the purpose of obtaining credit from * * * International Shoe Co., now or hereafter, and the same shall stand good as to any subsequent purchases unless there should be a material change, in which case I will notify them, before making further purchases from them." There was an additional statement over the signature of the company, " * * * It is a well established business principle that financial statements should be made at least once a year * * * ." The bankrupt's statement was true when made. The company sold goods on credit to the bankrupt during 1922, 1923, and 1924, the bills for which were paid when due. In 1925, more goods were sold and on the date of the first purchase for that year, there had been material changes in the bankrupt's financial condition. He had failed to notify the company of these changes. The sales in 1925 were made on credit in reliance on the statement of April, 1922, and believing that the financial condition of the bankrupt remained unchanged. District Court ordered a discharge.

Held: Affirmed. The mere lapse of time between the statement in 1922 and the extension of credit in 1925 is not of itself the sole determining factor. Whether or not a statement of financial condition is to be given a continuing effect for any period of time depends on the intention of the parties. On the printed form the company states that financial statements should be made at least once a year and from this the bankrupt was justified in concluding that the statement which he gave in April would be accepted as representing his financial situation for the ensuing year, but that thereafter it would not be considered as a fair statement of his financial condition.

Salesmen as Credit O.K.ers?

Do They Have Proper Viewpoints?

By Edward S. Horwitz, Credit Manager, The Charles Meis Shoe Manufacturing Co., Cincinnati, O.

Wouldn't it be nice if every salesman could check his own orders and have the final say as to whether or not it would be shipped? Or would it?

Of course we all understand that in the case of well-established accounts such a question never arises, and we are therefore only concerned with those classes of accounts that are more or less on the borderline.

If a salesman should walk into the store of any merchant who is known to be slow pay and has a reputation of taking considerable extra time on his bills, but nevertheless is considered to be honest, he might not hesitate to take an order from him if the merchant were to assure him that the bill would be met promptly when due.

Now let us analyze this situation and reason out for ourselves what may reasonably be expected under such conditions. The customer buys a bill of goods and tells the salesman that he will pay the bill at or pretty close to the due date, and the salesman knowing that the customer is slow and wanting to be honest with his house will most likely attach a memorandum to the order saying that while he knows the customer to be more or less slow pay, he also knows that he is honest and has promised to observe the terms, and he, the salesman, feels confident that if the customer does not mail in a check when due, he will be able to collect it for the house on his next trip.

On Inside Track?

This is the way this situation is presented to the Creditman, and the salesman under those conditions really expects the order to be OK'd and is sincere in his belief that the customer will keep his word or that otherwise he, the salesman, will be able to collect the bill within a period of time satisfactory to the Creditman.

Is it reasonable for the salesman to believe that he will succeed where all other creditors have failed; namely, that he will be able to collect in a fairly prompt manner while at the same time all other creditors are having to crowd this same customer for their money. Is it not more logical to assume that this customer who is undoubtedly operating either on a limited capital or on a poor turnover is making the same promises to all his sources of supply in order to obtain additional merchandise, and while honest about paying his bills, is probably just a little too optimistic or too hopeful, and is compelled to resort to this procedure in order to obtain additional merchandise.

On the other hand, suppose this customer were to keep his word to a few of his favored creditors; what then would be the result and would this lend any additional

degree of safety or satisfaction to the account? In cases of this kind it must be very evident that the customer must rob Peter to pay Paul, and if he pays a few of his accounts promptly he must of necessity ignore the balance of them and make those other creditors dissatisfied.

Knowing that the customer has a poor standing and is recognized as *slow pay* in the trade, a creditor who does not obtain his money in a reasonably prompt manner is certainly going to do something about it, so that even if he were to pay a few creditors promptly and obtain additional lines of credit, those favored creditors would find themselves in a very unenviable position when the blow-off came, and it might very well come even before the favored creditors' bills were due.

Weakest Link in Chain

We know the old story that a chain is only as strong as its weakest link, and this is not only a story but a fundamental truth. It is not the creditor who is satisfied that is going to start any proceedings. It is the one who is dissatisfied. So no matter how many creditors he may pay promptly (and incidentally he could not pay very many creditors promptly or he would not have a poor standing and be regarded as *slow pay*) even if he has only a few whose accounts are in bad shape any one of those few is liable at any minute to upset the "apple cart."

The moral this article aims to impress upon its readers is that the salesman should place a reasonable curb both on his optimism and hopefulness. He should not hope to succeed under a set of circumstances which render success practically prohibitive, and that he should not hope to handle with success a situation where all of the mathematical odds are heavily against him, and where there is grave danger of making his house take a loss.

There are, however, a number of ways in which the salesman can really be an assistant Credit Man and help many of his accounts, even those falling in the class mentioned above. Where the account is a doubtful one he can give the customer good advice which should help place his business on a sounder basis, and thus make for himself a future customer even though an order taken at the time would not be passed by his Credit Department.

Must Advise Customer

He can give the customer good advice on the subject of merchandising, both in buying and in selling. On the buying end he can give the customer an idea as to what sort of merchandise would sell in his particular store, location, and price ranges so that the merchant will not load up on goods not readily salable or that he does not

need because he already has similar merchandise on his shelf. On the selling end the customer can be advised as to better and more modern methods of displaying his merchandise, and on the subject of disposing of slow-moving or obsolete merchandise even if it has to be disposed of at a loss because in such cases the first loss is always the smallest one, and the longer he keeps such merchandise the less it is worth.

Now as to the general run of accounts, the salesman can materially help the customer make himself a much better credit risk. He should familiarize himself in a general way with the grade of merchandise carried by the customer, with his various price ranges and with the kind of merchandise best adapted to his location. He can be a business doctor first and salesman second by refraining to overload the customer or sell him merchandise he does not need or which is unsuited to his location.

As stated above he can likewise counsel the customer on modern display methods and give him the benefit of experience gained in other similar locations. In all cases the customer should be advised against carrying an inventory that is out of proportion to his turnover, and should by all means be advised to dispose of dead or slow-moving stock before it becomes so obsolete that it is entirely worthless.

The salesman is in a position to advise the customer as to what items are selling in similar locations so that the latter may be induced to buy merchandise for which there is the greatest demand and possibly the quickest turnover. Furthermore, it is never advisable to encourage the customer to overload by buying heavily, but rather to sell him reasonably and permit him to reorder when necessary.

References on First Orders

There are many other ways in which a salesman can cooperate with the Credit Department in obtaining better service for his customers. Much of it is elementary, but an article on this subject would not be complete that did not include every avenue of assistance that the salesman can give the Credit Department in making transactions more satisfactory to all parties concerned, and even while much of this information may not be new to many credit men, experience teaches that one can usually profit by obtaining another's viewpoint even on a subject with which he is already familiar.

One of these is the matter of references on which many salesmen, even those experienced, are often negligent and omit from first orders. Many of them take it for granted that since they know the customer personally and feel that he is financially responsible, it is not necessary to furnish this information to the Credit Department. What the salesman overlooks in this case is the fact that rapid changes often occur in a customer's financial standing which may be wholly unknown to the salesman, and about which only the credit man can learn by means of financial statements and trade clearances that come to his desk daily.

Furthermore, whether or not a customer is good financially, or whether he will make a satisfactory account, is largely a matter of opinion concerning which the credit man and the salesman may well differ. As a matter of fact there is even considerable difference of opinion on this subject between credit men themselves, because every time a failure occurs there are always many houses to be found who have shipped him and who will have to

take a loss, whereas others have declined the account and saved themselves some money. Our own National Association of Credit Men has a slogan on this subject which is very appropriate and it reads something like this: "It is lack of information and not poor judgment that causes most credit losses."

Speeding First Orders

Salesmen, therefore, should make it a point to always attach references to first orders from all business houses except those of unquestioned, high financial standing. If the credit man decides that it is not necessary to get a ledger interchange report on the experience of the houses given as references, nothing has been lost, whereas considerable has been gained should he decide that he must have a trade clearance before checking the order.

No bashfulness should occasion any necessary request for trade references as practically every customer expects it when he places a first order, and as a matter of fact knows that the giving of such information will facilitate the handling of his order.

Another feature in the program of cooperation between salesman and credit man is the elimination of extravagant promises by the salesman to the customer. Salesman should promise nothing that the house cannot fulfill, and the chief offender along this line is the salesman who takes an order from an account that needs investigation and promises the customer immediate delivery.

This is an experience through which every credit man goes in the rush period of every season. Salesmen sometimes even promise immediate delivery and have failed to attach references to the order. On what basis the salesman expects immediate shipment on such orders, is something that is a deep mystery to the credit man, yet those things happen time and again.

Customer Expects Investigation

Every customer whose financial standing is not high knows that his account must first be investigated by the Credit Department of the house with which he places his first order before it can be shipped, exactly as he knows that prudence requires him to first learn something about a customer who applies to him for credit.

However, when he does place an order with the salesman, and the latter promises him immediate delivery, he naturally has reason to expect it and when that kind of delivery is not forthcoming his disappointment will reach a climax, and he will very often send in a cancellation at just about the time that the credit man's investigation is complete and he is ready to ship the order.

Another objectionable practice prevalent among many salesmen is to write one letter to the office in which he will mention probably three or four accounts, each of which needs individual attention. For instance he may ask to hold up one order, to rush shipment of another, to see if a third account has returned merchandise, and whether a fourth has paid up his account. He doesn't stop to realize that by doing this he is causing either a lot of extra work for some clerk in the office who has to make extra copies of his letter so that each matter may be attended to, or else that as the letter is handled through the various departments covering one item at a time, there is going to be some delay on some of the items, and possibly some loss if they are not handled in time. It should

be impressed on every salesman that he should write a separate letter on every subject, and to carry out this program and stick to it. In this way the letter can be immediately referred to the proper department without any delay.

Reports on Changes

Another manner in which the salesman can be of great help to the Credit Department is to report promptly all information regarding a change in financial status of the customer or a change of any kind which would affect the credit risk. This information may be favorable or unfavorable, and in the former case it may assist in selling the customer more merchandise and creating a bigger outlet; and in the latter case it may be the means of cautioning the Credit Department to slow down and either reduce the line of credit or get out altogether.

Information of this kind need not necessarily be of a direct financial nature, although financial information and method of payment of bills might be considered as heading the list. However, such things as poor health, poor management, new and severe competition, unfavorable publicity, bad habits, personal difficulties, and other things of similar nature might have a distinct bearing on the quality of the credit risk and should be brought to the attention of the Credit Department.

There is one more phase of the subject of cooperation between salesman and Credit Department to be discussed. This is the plan of having salesmen make collections. Some seem to feel that the salesman should be permitted to concentrate his entire time and attention to selling merchandise and let the house handle the collections. This school of thought advances the proposition that no salesman is a born collector, and while he knows how to sell merchandise, does not know how to approach the customer in a diplomatic manner and ask him for money without offending him.

Should Salesmen Collect

The writer's opinion is that salesmen should be encouraged to collect; that they be given those accounts which actually need attention and not the better grade of accounts, and that by collecting they are in a better position to keep the customer within the credit limit and obtain prompt action by the Credit Department in OK'ing orders which they might otherwise have to hold until they had corresponded with the customer and obtained a check.

However, this is a matter which should be the subject of understanding between every credit man and his salesman, and if he wants them to collect they should make every effort to carry out his instructions which will result in the shipment of many orders that would otherwise be held up.

In closing let me leave this final thought with every salesman who reads this article. He should at all times bear in mind that the best interests of the customer and the house and himself are very closely interwoven, and if he will exert every effort to render the best possible service to his customer by cooperating with the Credit Department and with the customer, they will all benefit mutually, and he will make a success of his calling.

All of the suggestions outlined above are calculated to operate toward placing the customer on a sounder financial basis where he can buy more merchandise and pay for it in a satisfactory manner, and at the same time render the customer prompt and efficient service.

Protect the Profit Goal Line from Commercial Racketeers

(Continued from page 11) with the many shady transactions on the part of the defendants over a period of years. Jail sentences of five years each were accordingly imposed.

In another case, in New York, despite a plea of guilty, the offender received a prison sentence running five to ten years.

Experience shows that those engaged in cheating their creditors are of a rather shrewd character. Generally, they will not attempt any violation of law wherein physical danger may be encountered, but they will resort to every variety of scheme to obtain something for nothing with that exception.

Criminals generally are called "born crooks" but commercial cheats may be sub-divided. They are "brain crooks" rather than "brawn crooks." Certain other deductions can be made from the number of cases handled by the Department.

First, the average, commercial racketeer, if confronted with sufficient evidence of his wrong-doing, will almost invariably implicate any fellow-conspirators he may have had.

Second, the racketeer, through his fraudulent operations, will attempt to build up a financial reserve sufficient for a considerable time, perhaps for life. Invariably, the truth of "easy come, easy go" applies. And shortly he is back "at work," with little left in the way of gains to glory over.

Third, the commercial racketeer of some years ago was a "repeater." Today he is more likely to be shy about entering the same field. After being burnt once, he is twice shy. If he goes back to commercial activity, he is likely to do it in some other line than fake bankruptcies, etc. This has undoubtedly been caused, in great measure, by the more expert and careful checking of credit responsibility and past performance as revealed by the paying record on the part of credit executives.

As a matter of fact, few persons whose fraudulent activity was known to the Department some years ago, but who were removed from circulation, are now engaged in fraudulent activity.

It just isn't as profitable as it once was to try a comeback on a dishonest basis. Taking the profit out of commercial rackets has been an even more important deterrent than indictments, convictions and sentences. Primarily, the Fraud Prevention work is non-profit making—not only in the manner of the Department's operations, but more so, from the bankruptcy expert's viewpoint!

One can almost hear the complaint as a couple of former racketeers meet, "No, I got out of that stuff. There isn't the money in going broke that there used to be!"

And yet, despite the past effort and the excellent record achieved, more money is lost through commercial fraud than by the activity in any other field of crime. This challenges you and every other credit executive to lend your support.

Leave the sidelines—join the profit goal-line defenders!

134 In New N. I. C. Chapter

Meadville, Pa., Sets Season's Record

By J. M. Buckelew, General Credit Manager, Talon, Inc
Fellow, National Institute of Credit

OF In that little flange of Northwestern Pennsylvania, where since land grant days only the fittest have survived in the competition of the overlapping markets of Ohio, New York and Pennsylvania, lies Meadville.

Meadville, a "big little" city of 22,000 people, has up to now rested its claim to fame on such establishments as Allegheny College, the American Viscose Corporation, manufacturers of rayon products, and Talon, Inc., the world's largest manufacturer of slide fasteners. A new star has risen in Meadville's firmament,—a Chapter of the National Institute of Credit, with an active membership of 134, second in size only to New York City.*

Meadville, situated as it is, far from urban centers, does not offer the opportunities of large cities, to employment managers and department heads of its leading concerns, in obtaining trained and an efficient personnel. In the past it has been necessary to go to Chicago, Cleveland, Pittsburgh, Buffalo and New York when qualified office personnel was sought.

Even though the young men and women of our organization, Talon, Inc., were aware that they lacked special training necessary to fill junior executive and executive positions in the accounting and credit fields, it was only natural that they resented having imported personnel fill vacancies immediately above them.

About six months ago we suggested to a few of our employees that it might be to their advantage to register for the home-study courses offered by the National Institute of Credit. Six or seven young men indicated their desire to take the credits and collections course. The Director of the Institute encouraged these young men to form a study group and take the course jointly. News of the newly formed group spread very rapidly.

* Since this was written, the Rochester Chapter has achieved second place with 138 members.

The interest shown suggested to us that it might be possible to form a regular class and conduct the course on a full resident basis with a regular National Institute of Credit Chapter organization. The writer agreed to become the instructor. Membership in the class grew to 44 students, representing six of the city's manufacturing concerns. Sessions are held every Wednesday evening from 7:00 to 9:00 p. m. The Personnel Manager and Treasurer of Talon, Inc., having become vitally interested in the project, suggested that we might add a course in Elementary Accounting, which is listed as one of the courses on the National Institute of Credit curriculum. The popularity of this course became immediately apparent when 98 students were registered. The class is under the very able tutelage of Daniel A. Evatt, C.P.A., and meets each Monday night from 7:00 to 9:00 p. m.

After catching our breath and attempting to analyze the spectacular success of our educational project, we have come to the conclusion that we achieved these results because:

1. Educational centers offering specialized business training were too far distant to be readily accessible.
2. Most of our colleges and universities are not equipped to offer specialized knowledge in every particular phase of business.
3. The students realized that this was not only an excellent opportunity to acquire special knowledge, but that their employers will expect them to become qualified for the more advanced positions in the accounting and credit departments of the respective companies, as a result of the knowledge and training they acquire.

Reference to the fact that universities and colleges are inadequately equipped for the more specialized training in business is not intended as a blanket indictment. However, it is well known that the vast majority of young men and women who are graduated with various degrees



are lacking in training necessary to qualify them for positions entailing responsibility and specialized knowledge of business.

Supervision of the Meadville Chapter is vested in the officers elected by the student body. The staff of instructors is drawn from the management of our company. This gives the management an excellent opportunity to become better acquainted with the personality and ability of individual employees. It gives the ambitious employees a much better opportunity to prove themselves capable of handling the better jobs.

Increasingly, the managements of large companies are realizing the true value of the credit manager and his assistants as business-getters and that modern business requires that credit managers be sales-minded. Sales sense enables credit managers to weigh cold figures in the light of sales possibilities. This brings about a new personnel problem, for scarcely one out of one hundred applicants for credit positions shows any sales sense whatsoever.

Irwin H. Schell, in an article in the December, 1938 issue of "Nation's Business," entitled "Pre-View of Tomorrow's Leadership," offers a composite profile of the business man of the future as seen by executives and educators of today. In referring to his interviews, he said, "I did not count the number of times the term 'pleasing personality' occurred, but it was perhaps the most frequent of all approbations. What a change from yesterday, when 'dominating' 'strong' or 'powerful' would have been the adjective used. How the virtue of good will is permeating all industries."

Whenever the appropriate occasions arise in the study courses, we stress the principles of tolerance and sympathetic understanding of human nature. We thus develop credit men and women who will be able to maintain a firm collection policy without offending customers. It is fully realized that there will always be a few impossible customers with whom Job himself would have lost patience. However, we believe that in 99 cases out of 100, a credit man blessed with pleasing personality, tact and diplomacy can contribute substantially toward cementing the relationships of the customer and the company with lasting good will, resulting not only in the development of many satisfied customers, but in the accrual of a sizeable increase in business for the company.

The realization that a contribution has been made toward an increase in the company's sales should be one of the credit manager's chief satisfactions. To this end students in the Meadville Chapter of the National Institute of Credit are being so trained.

A working knowledge of auditing and accounting is invaluable to the credit man. Not only must he be able to interpret financial statements for credit analysis, but he must be qualified to make constructive suggestions while in the office of a customer. Our company's traveling credit representatives have had occasion to conduct balance sheet audits in order to obtain sufficient information to effect an intelligent decision.

Recommendations about customer's cost and other systems from our credit department have, in many cases, been received enthusiastically. The Institute course in Elementary Accounting is being conducted with the credit viewpoint foremost in mind to add a valuable tool to the credit man's kit.

We believe that the art of letter writing must be developed to a high degree by all credit correspondents.

However, there are some situations which can be brought to a successful conclusion only by a call. Accordingly, our company encourages frequent trips into various territories throughout the country. As a result, many customers have been "saved" to the company by threshing out troublesome situations in person. In view of the fact that it is so very difficult to obtain men who are qualified as traveling representatives of the credit department, through the Institute courses we have an opportunity to stress this important phase of credit work and to prepare present employees for this type of work.

At the conclusion of the present term in February, we plan to have a large banquet and present the Institute certificates to the successful students. For the balance of the winter and spring months of 1939 we hope to offer either a repetition of the course in Elementary Accounting and one new course, or two entirely new subjects, possibly Economics and Public Speaking.

The success thus far achieved by the Meadville Chapter of the National Institute of Credit can in large part be attributed to the cooperation of Carl H. Henrikson, Director of Education of the National Association of Credit Men, who so ably assisted in outlining the curriculum; to the wholehearted endorsement of our project by P. K. Poulton, Treasurer and former Credit Manager of Talon, Inc., and John C. Reno, Personnel Manager of Talon, Inc., and last, but certainly not least, to D. A. Evatt, who is so admirably instructing the class in Accounting Principles and Practice.

This story of what has been done in Meadville epitomizes the progressive attitude and the professional spirit that is developing among those in credit work. More than ever this year, the demand for sound credit education has been indicated by an exceptional growth in Chapters and membership in the National Institute of Credit.

Twenty new Chapters have been added. Enrollment is up 800 members over last year. This is the largest increase in any one year since the Institute was founded in 1920.

The Meadville Chapter is the outstanding achievement in credit education during the current year. However, other cities, while less phenomenal in their comparative showing, have established Institute Chapters that are sources of real pride to their respective Associations. Rochester and Indianapolis have vied with Meadville for second-place standing, and as new registrations come in from day to day, there is a shifting of places. At present, Rochester holds second place with 154 members.

A large part of the success in the Rochester Chapter can be accounted for by careful planning and organization. Next year, the Rochester Chapter and the University of Rochester will cooperate in offering a formal educational program.

The remarkable success of the Senior Class experiment in Chicago is most significant. A class in Problems of Credit Management, strictly limited to credit managers with ten years experience, was so heavily over-enrolled, that it became necessary to split the group into two sections. Sixty-six senior members are now registered in these classes. Many, with slightly less than ten years experience, are clamoring for admittance.

The outlook for additional Chapters next year is promising. There are ten cities now planning new Chapters to begin educational activities next autumn.

NATIONAL SURETY CORPORATION

VINCENT CULLEN, *President*

FINANCIAL STATEMENT

December 31st, 1938

ASSETS

Cash in Banks		\$ 1,951,436.72
Investments:		
Bonds	\$9,189,901.06	
Preferred and Guaranteed Stocks	4,605,719.33	
Common Stocks	6,043,900.00	19,839,520.39
Premiums in Course of Collection,		
Not over 90 Days Due		1,358,597.62
Accrued Interest, Dividends and Rents		111,201.68
Reinsurance and Other Accounts Receivable		76,550.83
Home Office Building		850,000.00
TOTAL ADMITTED ASSETS		\$24,187,307.24

LIABILITIES

Reserve for Losses and Loss Adjustment Expenses	\$ 4,425,399.81
Reserve for Unearned Premiums	5,605,634.00
Reserve for Commissions, Expenses and Taxes	973,534.72
*Contingency Reserve	306,111.39
Capital	\$ 2,500,000.00
Surplus	10,376,627.32
Total Capital and Surplus	12,876,627.32
TOTAL	\$24,187,307.24

*Represents difference between total values carried in assets for all bonds and stocks owned and total values based on December 31, 1938 market quotations. Securities carried at \$1,363,901.62 are deposited for purposes required by law.

"Five Dollars' Worth of groceries, please

It doesn't matter what . . . **IT'S FOOD, ISN'T IT?"**



THE absent-minded professor may buy food that way. But your important customers don't. Housewives demand that you keep a wide variety on your shelves so that you can fill their special needs at a moment's notice. And many products *must* be fresh *daily*.

So the experienced housewife of today does not turn her kitchen pantry or her cellar into a food warehouse. She gladly pays your slight profit for your services as an expert middleman who knows his groceries.

When the retail grocer buys insurance from the experienced agent or broker of a stock insurance company he does not say "\$50 worth of insurance please". He asks for and gets the advice and full

services of an expert purchasing agent in the complex insurance field, like himself an expert middleman. No worries about uncovered risks that might wreck a business.

* * *

Because we believe so thoroughly in the services of an expert middleman whether retail grocer, insurance agent or broker, we refuse to accept business direct because it is not in the interests of the Company or the assured to do so. When *you* buy National Surety Fidelity Bonds, Surety Bonds, Burglary or Forgery Insurance through your local insurance agent or broker, you deal with a customer and friend who is a fellow member and supporter of the American Business System.

● This is a reprint of an advertisement of a stock-insurance company directed to the independent business men in the grocery trade in your city.

NATIONAL SURETY CORPORATION

VINCENT CULLEN, *President*

When writing to advertisers please mention Credit & Financial Management

Credit Men Indicate Confidence

Special Survey in January Reports Favorable Prospects for 1939

CFM The nation's credit executives are looking forward to a generally good year in 1939. They expect the present Congress to be more favorable to business.

Some measure of rearmament is necessary in their opinion but war clouds will not darken the 1939 skies. Labor troubles are expected to increase in line with anticipated improvement in business, which is expected to reach 13 per cent above 1938.

These are a cross-section of some of the responses to a special survey, made early in January, of a representative list of Association members in each section of the country in banking, manufacturing and wholesaling.

Their viewpoints, as brought out in the survey, included the following points: A large majority of those surveyed expect higher tax rates this year, but reenactment of the undistributed profits tax will not, in their opinion, be a part of any new tax program.

Two-thirds of those reporting expect business earnings to improve this year over 1938, but only one-quarter look forward to a better record than in 1937.

In the building field, a substantial pick-up over last year is expected by two-thirds of those responding to the survey. A like number look forward with some optimism as to the 1939 stock market.

At least one-quarter of the firms surveyed have construction plans for building additions or improvements in mind but are deferring them because of uncertainty. Chief among the reasons mentioned are: 1—uncertainty arising from government policies, 2—taxation, 3—labor problems, 4—world conditions. Less frequently mentioned but appearing occasionally as reasons promoting uncertainty are the monetary outlook, the problem of raising funds, and general business uncertainty.

Frequent criticism of banks for not making loans to business is not justified in the opinion of an overwhelming majority. Two-thirds of the reporting firms said they had found banks "eager" to make loans for legitimate business demands, while the rest, with one exception who declared they have been "over-cautious" in this respect, said that the banks could be charged with nothing stronger than being "careful."

As to business failures, there was a quite close division of opinion whether 1939 will witness more failures than last year. Failures stimulated by inventory problems should be less, however, for half of the reporting firms had smaller inventories around the end of the year than a year ago.

In the field of government finance, despite an expectation of higher tax rates, two-thirds of those surveyed believe the federal budget will see a deficit, during the 1939-1940 period, of over one and a half billion dollars.

Practically 60 per cent anticipate that a processing tax will be a part of a new farm program to be enacted by

the present Congress. Two-thirds feel that farm income in 1939 will be equal to, or above the 1938 figures.

In the matter of labor relations, there was almost unanimous response that the C. I. O. lost power in 1938 and 80 per cent expect further decline in its influence this year. About two-thirds feel the A. F. L. improved its position in 1938 and expect further gains by this organization in the current year. Nevertheless, the trend is towards more labor strikes than in 1938, in the opinion of two-thirds of those surveyed, but these troubles will not reach the 1937 level in number or intensity.

In domestic policies there was almost equal division of opinion as to whether the White House incumbent after 1940 will be a Republican or a Conservative Democrat, with only a few expressing the opinion that he will be a New Deal Democrat. Only two major candidates are foreseen by two-thirds in the 1940 race, while the remainder are divided as to whether a third candidate will be President Roosevelt or some other individual.

These results of the survey were released nationally to the nation's daily newspapers and trade publications in every field of business, on the occasion of the Annual Meeting of the Board of Directors of the National Association of Credit Men in New Orleans, January 12-14.

Credit Outlook for 1939

(Continued from page 14) sound budget financing at low rates of interest, there should be less tendency on the part of your customers to lean on you for deferred terms of payments, and where insistence is made that special conditions are necessary to effect a sale, this would be the place where the opportunity for credit losses will come.

Abuse of discount terms should be less because of the Government's disapproval of discrimination and with inventories down to an irreducible minimum and with business seeking security rather than risk, an enterprise while active has restricted itself to short-term expectations and failures should be few. Collections, however, should be followed more closely and accounts that run beyond maturity dates should be checked through your Credit Interchange Bureaus and your local Adjustment Bureau because that is the only way you can call a meeting of the creditors that will operate in your own individual interests. The opportunity to freeze up uncomfortable indebtedness through your bankruptcy laws are inviting and failures in the very small business in the last quarter of this year have increased. For example, in the month of October, there were 20 petitions for reorganization and 27 for arrangement, the latter group includes corporations having only unsecured debts.

check

Your present routine may require your office force to build toward peak loads.

By planning your work so that each set of records is completed and proved as it is written, the volume maintains a steady level and does not accumulate into a peak load at the end of the day, week or month.

check

Your operators may be preparing related records in separate operations.

Hours can be saved—energy can be conserved—by posting several related records (such as payroll, earnings record, earnings statement, pay check or envelope) in one operation.

check

Your adding machine operators may not be using the fastest method.

With the modern Burroughs Short-Cut Method of listing and adding amounts, speed is obtained by eliminating needless operations.

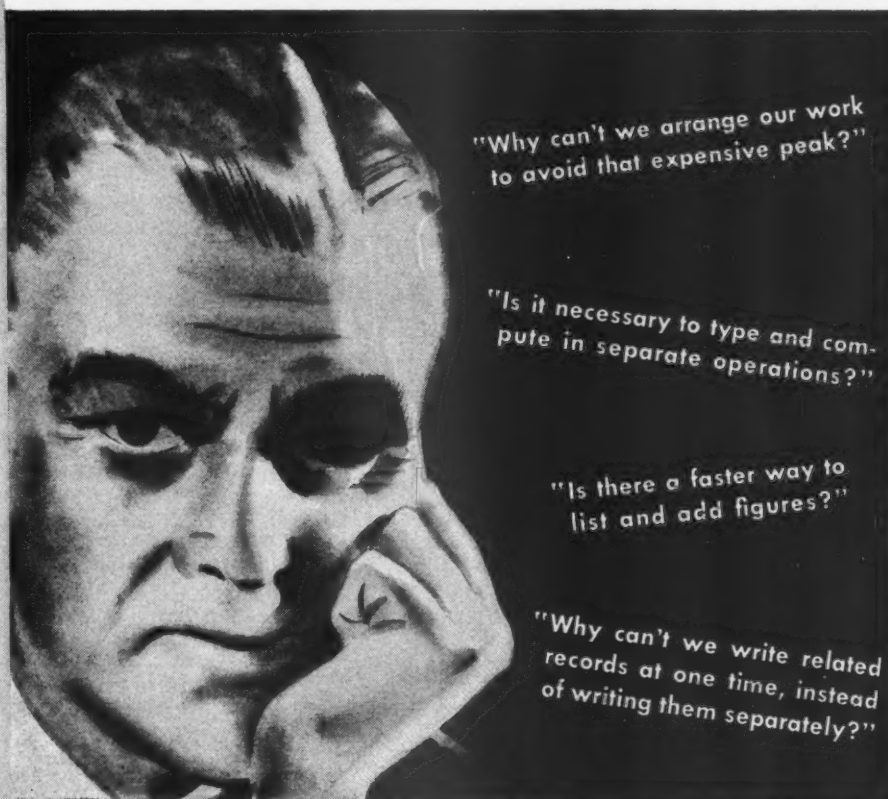
check

Your operators may be obliged to handle the same figures two or three times.

The modern way is to use a two-total machine which accumulates the grand total or net result automatically while the operator makes the individual calculations.

Burroughs can make unbiased recommendations for each desk because its range of adding, calculating, accounting, cash handling, statistical, and forms-writing machines permits recommending the exact equipment to assure maximum short-cuts.

How am I going to meet this Hours Problem in my office?



"Why can't we arrange our work to avoid that expensive peak?"

"Is it necessary to type and compute in separate operations?"

"Is there a faster way to list and add figures?"

"Why can't we write related records at one time, instead of writing them separately?"

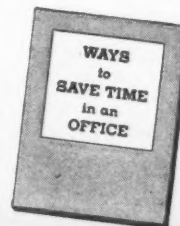
By surveying the routine on each desk you may find that you are handicapping your office force unknowingly by requiring them to perform many operations that might be shortened or eliminated.

Your local Burroughs representative is fully qualified to suggest many practical short-cuts that save time and money.

Why not telephone your local Burroughs office today?

SEND FOR THIS BOOKLET!

For the executive concerned with the problems of conserving clerical hours, this new booklet contains many specific suggestions for readjusting office routine. Send for your free copy today on your own letterhead. Address Burroughs Adding Machine Co., 6032 Second Blvd., Detroit.



Burroughs

Idea File That Saved a Job

Proves Fount of Inspiration in Dictation

By Fred E. Kunkel, Special Writer

CF Hugo Catlin, credit manager of The Thompkins Company, sulked as he studied the monthly collection chart sprawled out on the flat top desk before him. The stump of a half burned cigar performed vicious semi-circles around the vicinity of a beaked nose.

Collections were slumping and slumping badly. Catlin had reached the crossroads. The signs were unmistakable. Something would have to be done about collecting those very much overdue accounts.

In the abandonment of despair, Catlin rested his elbows squarely on the arms of the chair, cupped his chin in his hands and surrendered himself to a bold fit of constructive thinking. If he could only think of some good plan of worming checks out of customers in lieu of promises.

His half burnt cigar kept pace with his mental gymnastics, as he valiantly grasped at the elusive tail of a hundred vague ideas which floated by on the lively stream of his vivid imagination.

The harder Catlin cranked his mental engine, the less it responded. Occasionally it sputtered with mild tempered enthusiasm, then it went dead. There was nothing he could think of to try out which would bring in the much needed shekels to bolster up a checking account which was beginning to look like a sieve.

Hooking his glasses on the bridge of his nose, he glared over them fiercely at surrounding objects. His forehead screwed itself into the well defined outlines of a relief map as Catlin fidgeted and squirmed in the chair, feverishly penciling some notes. But apparently none suited for he kept twisting one after another into gnarled knots and tossed them away, creating general pandemonium in the vicinity of the waste basket.

Thus the morning swiftly passed and presently Catlin left the office for lunch, his morning dictation untouched. A frown of thoughtful consideration puckered his forehead as he rushed out of the door. "Wasn't exactly a bouquet of roses the chief handed me this morning," he mused as he mauled over a hamburger sandwich. A husky piece of chocolate pie followed. "More like a funeral wreath," he concluded, gulping down a cup of coffee.

He sauntered back to the office with a fresh cigar in his mouth, thinking about how his past experience had been built up on the sands of trial and error. In the future he would use his experiments and experience to achieve *formulas* for correct collection methods.

In short, he'd keep a file of his best collection ideas . . . those that worked. He had been a bit careless in his office methods in preserving good ideas. An unusually clever letter written in the heat of impassioned appeal in the daily grind of business, which had brought home the bacon was now filed away somewhere to be

irretrievably lost if not dug up.

Why hadn't he kept a copy of each of these "sure fire winners," dictated when he was feeling his best and in fine mental fettle? One didn't always have his chin up. Why hadn't he started a file of letters to be used as *models* for future guidance? If they have proven successful on the Jones account, surely they would bring home the bacon on all the other accounts similarly situated.

Stupid of him! After all, wasn't it merely a matter of office organization? And so, as he slipped quietly into his chair, Catlin commenced with the aid of his stenographer to take the files to pieces, scouting for just such letters. By night his collection idea file was fairly well launched. He had a host of compelling ideas ready for organization and try out.

Eureka! He had found it. With an exclamation approximating sheer delight, Catlin sat perfectly upright in his chair. Contemplatively he struck a match as a bright idea lodged firmly in his cranium. He puffed vigorously once or twice, while the match burned to his finger tips. He dropped it in disgust . . . but the idea was fairly fired by this time and burst into flame.

"I've got it, if it works," he muttered aloud, whirling in the direction of the unsuspecting bookkeeper. That surprised personage paused in the midst of making an important ledger entry and inquired blandly, "You've got what?"

Catlin, caught redhanded in the unpardonable sin of thinking aloud, glared for a moment at this imbecile of commerce, and abruptly crawled back into an isolated shell of sheer silence. The bookkeeper, meeting no further friendly conversation, returned to his ledgers, where he continued inky splashes from inkwell to paper in short gyrations of animated zeal.

"Cinch!" Catlin continued mentally, careful not to think aloud. "Hang it all, why didn't I think of it before. Why it's so simple, anybody could think that out."

He paused long enough to heave the unsuspecting cigar butt into a nearby cuspidor, then made a bee-line for a dusty pile of neglected back issues of some trade journals. Soon he was immersed in the index pages, thumbing with unwonted fervor, while ever and anon a blue pencil, poised in midair, darted down and up leaving a heavy trace of blue checking behind. He dictated a brief synopsis of articles found in the magazines, with instructions to index each one of them on 3 x 5 cards, then file them behind certain subject guide cards which he next invented to keep tab on good ideas.

In the course of time all co-related subjects were thus brought together under one index, clippings of credit articles, carbon copies of good collection letters. Sketches were made, ideas dictated and (Continued on page 45)

NATIONAL ASSOCIATION OF CREDIT MEN

MEMBERS' BULLETIN

Legislative work marching forward

■ In addition to the study of assignment of accounts receivable referred to elsewhere in this "Members' Bulletin," the other parts of the Association's legislative program are getting underway as rapidly and as actively as possible.

Negotiations with bankers' associations in a number of states in connection with the matter of non-par clearance of checks have been resumed. It is hoped that, as a result of these negotiations, additional states will agree to adopt uniform schedules of exchange charges as a first step towards eventual par clearance. If that objective is not attained, however, the Association will reconsider the whole situation with a view to recommending appropriate action to be taken by its members in districts where the non-par clearance problem is particularly acute.

(Continued on page 36)

Credit Congress plans progressing

■ In mid-winter it may, at first thought, seem quite far in advance to seriously consider making definite plans for our approaching 44th annual Credit Congress which will be held in Grand Rapids, Michigan. And yet, since we all realize how time slips past so quickly, why not plan now to avail ourselves of this opportunity? Let us reserve the time now for this Congress bids fair to be an outstanding one and here are enumerated a few of the reasons why.

Doubtless it would be ideal if it were possible to hold a national Credit Congress aboard an ocean-going vessel—to leave port on Sunday, sail on in fair, cool weather and return Thursday evening after a final friendship banquet.

The advantages would be many. All delegates would be together, attend all meetings, contacts would be more numerous and the verdict upon disembarking would undoubtedly be that the occasion was an outstanding one—of great and lasting benefits.

This is not possible. But we do have in the setting for the 44th annual N. A. C. M. Credit Congress at Grand Rapids, June 11-15, a situation nearly parallel to this ideal voyage. Those attending this Credit Congress have in store for them a treat second only in the pleasure and benefit of a Credit Congress aboard an ocean-going vessel.

And Grand Rapids is placing its house in order so that everything will be trim and ship-shape for your special pleasure during your entire stay there.

First of all, Grand Rapids is not only the Furniture Capital of America, but also it is and has been for many years one of the leading convention cities in America. It has full experience in this line and those most recently handled include such organizations as the American Bar Association, Lions International, etc.

The hotels in Grand Rapids are unusual. Those well acquainted with hostelrys throughout the country not only praise them but also claim

(Continued on page 36)



Membership gains made in January

■ The N. A. C. M. membership picture grows brighter steadily. December, usually a dull sales month, produced the most substantial gain to date for the year. January, a month that often has many resignations, has also shown a good gain.

Thirty local associations increased their membership in January and only a few showed a loss. The associations outstanding in accomplishments for the fiscal year have proven, almost without exception, that the most promising results are obtained by the combined efforts of the professional personnel of the local association and the members themselves.

Outstanding performances to date have been turned in by Louisville, Los Angeles, San Francisco, Indianapolis, Minneapolis, Baltimore, Grand Rapids (our Credit Congress hosts in June), Omaha, St. Joseph, Tacoma, Houston, Nashville and Evansville.

If the present rate of progress is maintained, the membership year closing April 30th will produce an even greater net gain than last year.

The Executive Manager reports:

■ From January 12th to 14th, inclusive, your organization had its annual meeting of its National Board of Directors. The interest in this meeting is best evidenced by the fact that although we have 24 directors at widely-separated points, we had exactly 100 per cent attendance.

The meeting was one of the most constructive that the National Board of Directors has ever held. Aside from the officers and directors in attendance, there were several past national presidents who also attended the sessions.

Preceding the National Board meeting, the Credit Methods and Practices Committee held a two-day meeting on January 10th and 11th. The attendance at this meeting likewise included every member of the Credit Methods and Practices Committee. During the Credit Interchange session of the Board of Directors meeting, the Credit Methods and Practices Committee members were invited to participate in the discussions.

Many N. A. C. M. members may wonder what a National Board meeting is like and what is considered at these meetings. You will be interested in knowing that each officer and director was given a portfolio covering the various departmental subjects discussed and that this portfolio contained approximately 100 pages. In the matter of finances, for example, each member of the Board was given the financial side of our operations in such detail that this material alone occupied approximately 25 pages.

Finances

The budget figures presented to the Board showed for the seventh consecutive year, a balanced budget with a small favorable balance in the first seven months' operations of the 1938-1939 year. The balance sheet indicated a very liquid position and was perhaps the best that has been presented to any meeting of the Board of Directors although, in the unanimous opinion of the Board of Directors, still far short of what might be necessary for a national organization of our responsibility.

Headquarters location

Some of the matters requiring the attention of the Board of Directors were of unusual importance. First, there was a general discussion about the matter of the location of the National Office. After considerable examination of the factors involved, the Board, with two dissenting votes, concluded that National Headquarters should continue to be in New York City.

A variety of information was considered by the Board of Directors in determining this question of location of National Headquarters. As to personnel, 67 people are employed in the New York Headquarters Office. Of this number 31 would have to remain in New York be-

cause they are employed in activities that are largely local to New York, such as the Credit Interchange Department, the Foreign Credit Interchange Bureau, the Fraud Prevention Department, and a certain amount of Advertising and Public Relations work.

It was agreed wages and salaries are higher in New York City than in certain other places because of the considerably higher cost of living. One of the surprising elements in the discussion of costs came from a study of rents. It was discovered that rents for New York office buildings are, if anything, more reasonable than for similar space in some of our central cities. This, no doubt, is somewhat due to the fact that New York is relatively over-built with respect to office buildings.

The total expense accounts of men traveling out of New York were also under review. Obviously there would be a saving if men traveled out of a more central city. There was, however, more concentration of traveling in the East than was first realized, due to the many Washington calls because of legislative matters. It was also shown that approximately four-fifths of the magazine's revenue originated in the New York market.

Membership

Although the largest portion of our membership is located in the central states, when the membership in what might be called border territory—such cities, for example, as Cleveland—is taken into consideration, the portion located in the mid-West is not so large as first figures might indicate. It was also noted that in our credit educational work most of our Institute members are located in the eastern territory.

The Board weighed all of these factors, including the prestige of location, accessibility to the public, etc., and concluded that the office should remain in New York.

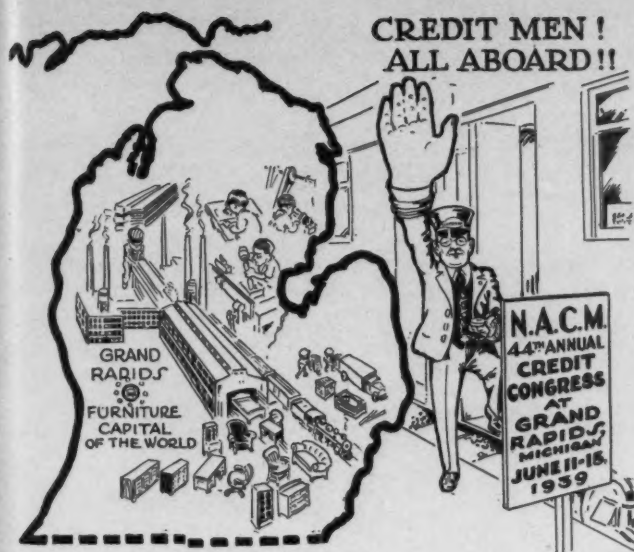
Another important matter decided by the Board was the time for annual Board of Directors' meetings. It was felt that the usual January meeting is somewhat late in the year and that the Association's program could be scheduled better if this meeting were held in September, as it was up to several years ago. The Board, therefore, voted to hold the meeting for the next fiscal year during the week of September 24, 1939 and thus enable the directors to launch into our year's program in the early months of the 1939-1940 period.

Credit Interchange

An important consideration of the Board was the matter of empowering the National Credit Methods and Practices Committee with greater responsibility and authority. This was unanimously agreed to by all Association officials and those national staff members present. Further details will be reported about this matter in a subsequent issue of the Members' Bulletin.

One of the very best Credit Interchange reports ever heard by a National Board was presented by our Central Credit Interchange Bureau Manager, Mr. Colliton. A survey made by the Central Credit Interchange Bureau revealed a very interesting situation, which will also be brought to the attention of our members in a future issue.

44th Annual N.A.C.M. Credit Congress



Credit women

The growing influence of women in credit management was discussed. The Board was very favorably impressed with the interest in and by the contributions to the Association's work by the various credit women's groups in our local associations.

Many of the officers and directors had their wives accompany them to the meeting. A special entertainment was provided for the ladies in attendance.

As an indication of the democratic methods prevailing in these meetings, and dispelling any thought that we have a "yes" Board, may I add that the voting was by no means unanimous. This, in my opinion, is a healthy indication. On the whole, however, the majority for or against a resolution or a matter of policy was invariably large.

The members of this organization owe a debt of gratitude to the members of the National Board of Directors who, throughout the year, give so unstintingly of their time and effort. I am sure that if every member had been privileged to attend the National Board meeting all would have come away with added appreciation of the organization they own and, through their Board of Directors, control.

Those officers and directors of the Association and members of the Credit Methods and Practices Committee present at the New Orleans meetings included the following:

Officers: D. I. Bosschart, President; Horace V. X. Wright, Vice President.

Directors: Fred L. Andrews, W. A. Bruckheiser, J. I. Clemons, F. W. Edwards, C. S. Fensom, Henry C. Heal, J. G. Holland, V. F. Hutchins, Chas. Johnston, J. A. McBrien, H. W. Minchin, L. Motz, E. E. Ogren, C. H. Rison, Joseph Rubanow, L. E. Schroeder, R. S. Shannon, R. L. Simpson, H. A. Smith, R. K. Sybert, B. R. Tritton, R. W. Watson, Harvey L. Welch, Chas. A. Wells.

Past National Presidents: Paul Fielden, Edward Pilsbury, P. M. Haight, William Fraser, Jno. E. Norvell, E. I. Kilcup, F. B. McComas.

Fair plans develop

■ In line with the previous announcement by Executive Manager Heimann that N. A. C. M. members can obtain information about the two World Fairs this year through the national offices in New York and San Francisco, we will from time to time present material giving details as to developments in connection with the two expositions. It will be recalled that information as to the New York World's Fair is available through Mr. Hugh Roberts, One Park Ave., New York, while Mr. Owen S. Dibbern, N. A. C. M. Western Division Manager, 333 Montgomery St., San Francisco, is handling information about the Golden Gate International Exposition.

From Mr. Roberts there will shortly be available a complete list of rates for all hotels in New York, as well as a list of satisfactory apartments and rooms that can be rented by the day, week or month. He will also be able to make arrangements to transport those desiring to go by automobile to the World's Fair at reasonable rates. Unofficial information indicates a very reasonable admission fee to the New York World's Fair with a substantial reduction for children under 14. There will also be available season tickets, 20 admission tickets, souvenir state tickets and group tickets.

On Monday, June 19, "N. A. C. M. Day" will be featured at the New York World's Fair and on Thursday, August 24, "N. A. C. M. Day" will be held at the Golden Gate International Exposition in San Francisco.

The associations in the Western Division are urging their members to plan their vacations so as to visit the Fair during that particular week. For the first three days of that week, August 21, 22 and 23, there will be held the annual Western Division Secretary Managers Conference at San Francisco, with the entire day of Thursday, the 24th, given over to visiting the various Exposition exhibits.

It is tentatively planned to hold a luncheon on Treasure Island on Thursday noon, August 24, inviting leading business men and bankers, together with all credit managers and their families who plan to be on the Island that day, at which affair Executive Manager Henry H. Heimann will be the guest speaker.

While primarily it is the hope that every member of the National Association of Credit Men will sometime during 1939, visit the Golden Gate International Exposition, more specifically it is the hope that the visits may be made during the week of August 21 in order that they may participate in "National Association of Credit Men's Day" on Thursday, August 24, 1939.

Past National Directors: F. E. Barkley, Paul Milians, R. C. Wilson.

Secretarial Representation: Edward De Groot, E. W. Johnson, W. W. Orr.

National Staff: Henry H. Heimann, Executive Manager; David A. Weir, Assistant Executive Manager; Ruth Hctor, Comptroller and Assistant Treasurer; R. A. Colliton, Credit Interchange Director.

Grand Rapids, Mich., June 11-15, 1939

Meetings on sale of accounts receivable

■ Arrangements are being made for conferences to be held between representatives of the N. A. C. M. and responsible executives of large finance companies for the purpose of discussing the practice of assigning accounts receivable. As Executive Manager Heimann's editorial in the January issue of *CREDIT AND FINANCIAL MANAGEMENT* indicated, there is growing concern among the Association's members over the possibility of losses to creditors unless adequate notice is given creditors when accounts receivable of debtors are assigned.

The Subcommittee of the National Legislative Committee which is studying this matter has received a number of reports on the situation from members in various parts of the country. Before developing specific recommendations as to the Association's policy with regard to the matter, however, it is regarded as essential that the views of the large finance companies which are most actively engaged in the business of buying receivables, should be received and carefully considered.

This is consistent with the Association's policy, reported more than a year ago, that every aspect of this type of financing transaction should be given the most careful consideration before the Association adopts a clear-cut policy with regard to it. The meetings to be held in New York with the large finance companies will give them an opportunity to present their views concerning the matter.

As soon as the Subcommittee's study of the situation has been completed a report will be submitted to the full National Legislative Committee and the National Board of Directors, which, of course, will have to consider the report and form the Association's final policy.

Credit Congress plans

(Continued from page 33) they would do full credit to a city of any size in the United States. The principal hotels are: the Pantlind Hotel, "An Entire City Block of Hospitality," the Morton Hotel, a most attractive place, as is the Rowe Hotel, all within two blocks of the modern air-conditioned Civic Auditorium where our general meetings will be held.

Russell N. Forwood of Consumers Power Co., Grand Rapids Credit Congress Chairman, and Edward De Groot, Secretary of the Grand Rapids Association of Credit Men, are assisting Fred Schrop, the National Credit Congress Director, and Executive Manager Heimann in plans for the conclave.

Even at this early date committees are in the process of formation and all measures are being anticipated which will provide for your pleasure and comfort in addition to the highest type of program of speakers and group sessions.

The Grand Rapids officials are urging registration well in advance of the Credit Congress date. The policy of "first come—first served" as to reservations has been adopted and already reservations are being arranged.

Set aside the time now—June 11 to 15 inclusive—and enjoy one of the grandest and most worthwhile Credit Congresses ever.



F.P.D. starts new year with conviction

Eight days after the new year started, the Fraud Prevention Department reported its first conviction for the calendar year when Jacob Rubin, who was engaged in the cotton goods business at 446 Broome Street, New York, was sentenced to an indeterminate term from one to three years in the New York State Penitentiary.

The case had engaged the efforts of the Fraud Prevention Department's operatives for about a year. Rubin was indicted by the County Grand Jury on August 8, 1938 on a charge of grand larceny preferred by M. P. Schapp of the Pepperell Manufacturing Company, a member of the Fraud Prevention Committee of the National Association of Credit Men. He alleged that credit had been extended on a financial statement issued by Rubin, which financial statement was proven to be false. The statement showed a net worth far in excess of that of the true condition of the business.

Legislative work

(Cont. from p. 33)

The work of the Subcommittee on State Trust Receipts Laws is being directed toward amendment of the state laws in California, Illinois, Indiana and Connecticut where the law contains so-called "chattel mortgage provisions" which are regarded as definitely detrimental to the interest of creditors.

In many states efforts are being made to seek either new laws or amendments of existing laws which will be helpful to credit. These legislative efforts include work on bulk sales laws, bad check laws, chattel mortgage and lien laws and similar types of legislation. This activity is, of course, highly desirable and very necessary in view of the fact that so many state legislatures are in session at the beginning of this year.

NEWS ABOUT CREDIT MATTERS

A section devoted
to Association affairs

February, 1939

Copy deadline:
15th of month

Chicago plans combined trip to Credit Congress and N. Y. Fair

Chicago—With the June Credit Congress site only four rail hours away, the Chicago A. C. M. is already well advanced in its plans for a large delegation of credit executives to attend the sessions in Grand Rapids, June 11-15. Early reservations are being made by many delegates.

Attendance at the New York World's Fair is part of a scheduled itinerary following the Credit Congress. 100 double rooms have been reserved at the Lincoln Hotel in New York.

The plan provides for leaving Chicago early Sunday afternoon, arriving at Grand Rapids in time for dinner and leaving Grand Rapids early Friday morning, following the Credit Congress, for Niagara Falls where a stop-over will be made and an opportunity given to view the wonderful illumination effects. The trip will be continued Saturday morning from Niagara Falls to New York, arriving late in the afternoon. At eight p. m., there will be a dinner-dance and floor show at the International Casino.

Sunday, June 18, there will be a motor sightseeing trip in New York ending at the World's Fair grounds. Monday, June 19, has been designated officially as National Association of Credit Men's Day at the Fair and there will be a special program. Tuesday, June 20, has been left open as a free day in New York for visiting, shopping, etc. The party will leave New York Wednesday, June 21, at 9 a. m., arriving at Buffalo in time for the boat trip from Buffalo to Detroit via D & C steamer, arriving in Detroit Wednesday, June 22, at 8 a. m., and in Chicago about 4:30 p. m. the same day.

The wonderfully attractive price of \$79.00 for the entire trip includes round-trip railroad fare from Chicago to Grand Rapids and New York, five nights hotel at Grand Rapids, one night at Niagara Falls, and four nights in New York City. Meals on the train in both directions and at Niagara Falls will be included, as well as the special dinner-dance and floor show at the International Casino in New York. Other

(Continued on page 41)

Grand Rapids plans for Credit Congress aim for "best ever" with full group program

Grand Rapids, Mich.—Greetings! GRAND RAPIDS—the Furniture City—awaits the dawn of Sunday, June 11, when the friendly hand of welcome will be extended to representatives from all points of the United States who will gather for the 44th Credit Congress, says Russell W. Forwood, General Chairman, Grand Rapids Credit Congress.

The Grand Rapids Association of Credit Men, organized in 1896, has plans made for one of the finest of our Credit Congresses. One or two changes in the usual schedule of events have been submitted to the National Office. Details will be ready shortly.



The old adage "Never say die" seems practical for Grand Rapids, for after four long years we won the right to entertain the Credit Congress. This assemblage of financial executives, both men and women, is without question an outstanding group. The past programs have been unsurpassable, the attendance exceptional and loyal, and many have commented to me that the Credit Congress of the National Association of Credit Men is not excelled.

At a recent meeting of our local Association, an industrial official, high public office holder and former member of our Association, remarked as follows: "I am proud to be a guest tonight. It brings back experiences of the past when I was an active member. I am not alone when I say that the National Association of Credit Men has done more to raise the standards and promote better business practices than any other organization. It is impossible to know the true value of the Association's accomplishments."

Our committee appointments have been planned and will be announced later. Group meetings of the industries are to be high-lights of this Credit Congress. Being centrally located, it is expected that these meetings in Grand Rapids will be the largest in the history of the Association. Constructive programs with open discussions by the respective groups are invaluable. As a suggestion, begin now to make notes of your problems as they present themselves each day so that they can be discussed in your respective Group meeting.

We, in Grand Rapids, are very happy in Mr. Henry H. Heimann's appointment of Mr. Frederick H. Schrop as the N. A. C. M. representative who will work with us locally with this Credit Congress.

May I impress all to seriously consider and plan on attending the next Credit Congress, June 11 to 15, inclusive, in Grand Rapids, Michigan. Here's looking forward!

Congratulations!

Providence—The hand-shakers above are Howard S. Almy, right, and Henry T. Farrell, left. Mr. Almy is a past national Director of the N. A. C. M., past President of the Rhode Island A. C. M. and is at present a member of the Board of Directors and President of the Adjustment Bureau of the Rhode Island A. C. M. Mr. Farrell is Executive Secretary of the Rhode Island A. C. M.

Both have been active in Providence affairs and the above occasion took place early in January when Mr. Almy was given a three year appointment as a member of the Bureau of Police and Fire by Mayor John F. Collins of Providence. Mr. Farrell has for some years been a member of the Providence City Council.

Mr. Almy for the past ten years has been associated as Credit Manager and Asst. Secretary with the Collyer Insulated Wire Co., of Pawtucket, R. I. He is also a member of the faculty of the Providence division of the Northeastern University as an instructor in credit management.

"Smart Guy" broadcast comments

After the broadcast of "Smart Guy" on November 29, National Headquarters Offices received a large number of comments from Association members, from which the following cross-section has been taken.

"I am sure our members will be greatly interested in listening in, and I am making a point of giving them full information."

—A. S. Crighton, General Manager
The Canadian Credit Men's Trust
Assn., Ltd.
Toronto, Canada.

"... should be very interesting..."

—T. W. Greene, Secretary
Riegel Textile Corporation
New York, N. Y.

"'Smart Guy' was well worth while. It treated a difficult subject in an understanding way. Players Edward G. Robinson and Claire Trevor, who made the presentation, should be given a vote of thanks, and our appreciation also to Lever Brothers Company of Cambridge, Massachusetts, who made the time possible."

—J. G. Holland, Secretary-Treasurer
Moore-Handley Hardware Co.
Birmingham, Ala.

"Just to let you know that the 'Big Town' broadcast with Edward G. Robinson and Claire Trevor was listened to with intense interest by members of the Tacoma A.C.M. We circularized our membership, giving them advance information. Our members were very favorably impressed and made more conscious of the activity of the N.A.C.M. in rounding up commercial crooks. It is hoped that some of these crooks also listened in—and that it gave them a sinking feeling."

—E. B. Lung, Secretary
Tacoma Association of Credit Men

"The 'Big Town' broadcast was very well done and I got quite a kick out of it. It seems to me like high grade publicity for our Association."

—Howard E. Marker, Past President
South Bend Association of Credit Men

"Tuesday night our regular Association meeting was held and 'Smart Guy' was part of our evening's program. We thoroughly enjoyed the program..."

—Louise Murphy, Assistant Secretary
Springfield, Ill., A.C.M.

Collection service in Utica area

Utica.—Arrangements have been completed with the Service Corporation of the N.A.C.M. to service this area from the Syracuse office of the Service Corporation. Recently Association President Robert L. Griffiths, in a letter to the membership, announced the expansion of the collection service to this area and strongly urged its usage by Association members.

"The National Association did a fine piece of work in making this presentation possible—I think it was excellent."

—Paul A. Pfueger
Max I. Koshland & Co.
San Francisco, Calif.

"... The broadcast will have a nationwide interest. I would appreciate very much if a copy of the text of the broadcast could be made available to me..."

—Wm. J. Reilley, Supt. of Bankruptcy
Ottawa, Canada.

"... I would appreciate a copy of the script of the broadcast entitled 'Smart Guy'..."

—A. J. Sodick, 3rd Vice President
Toledo Assn. of Credit Men

"... and you are to be congratulated on the publicity that the Association got on the 'Big Town' broadcast..."

—B. R. Tritton,
General Credit Manager
American Stove Company
Cleveland, Ohio, and
National Director, N.A.C.M.

"The broadcast was a very nice tribute to the Fraud Prevention work of the N.A.C.M."

—R. W. Watson, Vice President
Bank of America, N.T.S.A., and
National Director, N.A.C.M.

"... The whole thing was a whale of an idea. I know it went over 'hot' here and it must have drawn a lot of attention elsewhere."

—S. P. Chase, Secretary-Manager
Los Angeles Credit Men's Assn.

Future president!

Washington, D. C.—It's a boy at the Charles F. (Manager, N.A.C.M. Washington Service) Baldwins! Born Dec. 10.

S. F. awards to two key "C" men

San Francisco—At a recent meeting of the Credit Managers Association of Northern and Central California, Paul A. Pfueger, Max I. Koshland Co., and R. H. Ohea, Paraffine Companies, Inc., were signally honored by the membership by a presentation of a gold pin embodying the emblem of the N. A. C. M., which was presented by D. I. Bosschart, national president.

Geo. A. Van Smith, president of the association, stated that this honor is a result of long and active membership in the Credit Managers Association. Both have been ardent and active supporters of all its activities. Mr. Pfueger was elected a member of the board of directors in 1921 and has served continuously since that time as a member of the board and later as a member of the executive board.

Mr. Ohea, affectionately known as "Bob," has served on practically every committee in the association dating back to 1900. He has served on the board of directors for a great many years and at the present time is a member of the executive board.

Look! man quits good job

Oklahoma City.—In the above headline, news of the resignation of Emmett Barbee, Secretary-Manager of the Oklahoma Wholesale C.M.A. was printed in the newspapers of this city recently.

"This is the kind of thing you read about in books and see in the movies—a man throwing up a good job just so he can have a fling at the things he always wanted to do. But it's really happening," one newspaper said.



"Emmett Barbee, Secretary-Manager of the Oklahoma Wholesale Credit Men's Association, notified his board of directors Monday that he is going to become a man of leisure beginning next August.

"He's going around the world first. He has always wanted to go around the world. He's going to really concentrate on his magic."

M. D. "Mike" Pemberton has been selected to succeed Mr. Barbee. Mr. Pemberton has been Credit Manager of Patterson & Hoffman, a wholesale cigar firm, since 1925. He was an officer or director of the Oklahoma Wholesale Credit Men's Association since 1932. He served as President of the organization in 1934. He will serve as Mr. Barbee's assistant several months before Mr. Barbee's retirement on July 1st.

Seattle dances at Jan. function

Seattle.—The monthly dinner meeting on Nov. 21 heard an address by S. Harold Shefelman of Weter, Roberts & Shefelman on "The Federal Wage and Hour Law." Also featured was a talk by Roderick Olzendam of the Weyerhaeuser Timber Co. on "Trees and Men." The latter talk was illustrated with a movie about the lumber industry.

The annual dinner dance of the Association, featuring ladies' night, was held in the Olympia Hotel on Jan. 27.

Joint meeting at Rochester

Rochester.—The Rochester A.C.M. held its 12th annual joint meeting with the Rochester Retail Credit Association at the Hotel Seneca, Wednesday evening, Dec. 14. Richard Hallet was the speaker on this occasion.

Albert W. Pickford

Philadelphia—Albert W. Pickford, a Vice President of the Philadelphia National Bank, died on Dec. 11 at his home in Cynwyd, Pa. He was 68. A native of Fall River, Mass., Mr. Pickford was a graduate of the Wharton School of Finance. He was originally credit man of the John H. Wood Co., Philadelphia, and then in 1904 joined the Girard National Bank. Here he was Assistant Cashier and later Vice President, which position he held with the Philadelphia National which had merged with the Girard Bank.

Mr. Pickford was an active member of the Presbyterian Church of the Covenant, Cynwyd. He was a member of the Union League and the Philadelphia Country Club. He was a charter member of both The Credit Men's Association of Eastern Pennsylvania and the Robert Morris Associates, attending the dinner in Rochester in 1914, out of which the latter group grew. He was a Director of this organization during 1920-1922 and Vice President, 1926-1928, being a member of the Investment Committee at the time of his death.

Surviving are his sister, Mrs. Otis C. Clifford, Fall River; two brothers, Walter G. and George E., Providence, R. I., and a daughter, Mrs. C. W. MacMillan, Cynwyd. Funeral services were held on Wednesday, Dec. 14, at his home, with burial in West Laurel Hill Cemetery.

Chandler Act is praised

Indianapolis.—Credit men will find much in the Chandler Act, which amends the federal bankruptcy act, to commend and practically nothing to condemn, according to Carl Wilde, federal referee in bankruptcy, said at the first meeting of the season of the Indianapolis Chapter, National Institute of Credit. He was introduced by Merritt Fields, Executive Manager of the Indianapolis A.C.M.

"Provisions for the prosecution of fraudulent and dishonest acts have been strengthened greatly," Wilde asserted. "The interests of the creditors of a bankrupt are protected by the provisions generally."

He pointed out that "no longer can bankruptcy be safely resorted to in the face of imminent inheritance because now, whatever a bankrupt inherits within six months after the filing of the bankruptcy petition, passes to his trustee."

He commended the Indianapolis A.C.M. for devoting its efforts "entirely to protecting the interests of the creditors."

Dwight Sherburne, Credit Manager, A. Burdsall Company, and President of the Institute of Credit, presided. Gustave C. Klippel, Van Camp Hardware and Iron Co., presented certificates in the Institute to sixty-five who successfully completed the work in the credit and collections class last term, in connection with Butler night school.

Rudolph Grosskopf, President, Nutz & Grosskopf, Inc., received a scholarship for having won the letter contest sponsored by the Institute.

Rochester chapter hears system talks

Rochester—The second of the 1939 credit forums sponsored by the Rochester Chapter, National Institute of Credit, was held at the Rochester Club on Feb. 1. J. M. Buckelew, Genl. Credit Mgr., Talon, Inc., Meadville, Pa., spoke on "Streamlining Collections." At the previous meeting in January, Harold H. Kase, Credit Mgr., Taylor Instrument Companies, spoke on "What Makes A Credit Department 'Click'?"

The March 1 meeting has two speakers: Leonard Berry, Credit Mgr., B. Forman Co. and Mercer Brugler, Vice Pres., Treas. and Asst. Genl. Mgr., The Pfaunder Co., to discuss the subject "Have You A 'Mother Hubbard' Credit File?"

In April A. F. Gibson, Credit Mgr., Stromberg Carlson Telephone Mfg. Co., will speak on "Trade Practices: Terms—Statements—Discounts."

Fort Wayne to hear Heimann

Fort Wayne—Plans are progressing under the direction of the program committee for the Feb. 20 meeting at which Executive Manager Henry H. Heimann will be the speaker. Details of this big meeting will be available shortly through the secretary's office.

Golden wedding for E. P. Tuttle

Bradenton, Fla.—Mr. & Mrs. E. P. Tuttle of this city will celebrate their 50th wedding anniversary on Feb. 19. Mr. Tuttle will be recalled by his many Association friends as Past President of the N. A. C. M. during 1923-1924, having been chosen at the Atlanta Convention.

Chandler to talk at New Haven

New Haven—The Hon. Walter Chandler will address the Feb. 15 meeting of the New Haven A. C. M. on the subject of the new federal bankruptcy act which bears his name. Invitations have been extended by President Reid of the New Haven Association to the Credit Fraternity of New Haven, the Connecticut Bar Assn., Connecticut Bankers' Assn., New Haven Retail Credit Men's Assn., New Haven Insurance Agents' Assn., Manufacturers' Assn. of Connecticut, Manufacturers' Division of the Chamber of Commerce.

McClure Honored

G. H. McClure, Assistant Treasurer, Lumbermen's Mutual Casualty Company, Chicago, was recently elected Treasurer of the National Association of Sales Finance Companies. Mr. McClure is Secretary-Treasurer of the National Association of Credit Men's Insurance Group. The election to the Sales Finance post is considered a special honor because the organization represents many large, national firms.

20 year club at Kansas City

Kansas City.—The Twenty Year Club took charge of the local Association meeting last month. The membership of the club is composed of 35 Association representatives who have been connected with the Kansas City A. C. M. for 20 years or more. This does not apply to member firms, for over 100 firms have belonged for over 20 years. And L. C. Smith, Secretary Manager, last month also celebrated 20 years with the Association.

Hough receives gift

New York—The annual Paint & Allied Xmas Party was held on Dec. 27 with a fine dinner and excellent entertainment. Guest of honor Raymond Hough, General Manager, Service Bureaus of the New York C. M. A., was presented with an electric snack server as a token of appreciation.

Palyi at Grand Rapids

Grand Rapids—Dr. Melchior Palyi, University of Chicago, was the featured speaker at the Jan. 10 meeting of the Grand Rapids A. C. M. He is a research economist and was formerly an adviser to the Reichsbank of Germany.

Phila. House Organ

Philadelphia—A new house organ for the local credit Association was recently issued. The feature of the issue was a complete roster of the local membership.

On Jan. 26, Alexander Wall, Secretary-Treasurer, Robert Morris Associates, spoke before the Association's meeting on "A Study of Capital Structure."

Boston hears Fleming

Boston—T. Alfred Fleming, National Board of Fire Underwriters, was the principal speaker at the annual election meeting of the Boston C. M. A. on Jan. 10. He discussed "Protecting Credits Against the Unexpected."

Fraud prosecution talk by Asst. U. S. D. A.

South Bend—The local Association at its Jan. 19 dinner meeting heard Alexander Campbell, Assistant U. S. District Attorney for the Northern District of Indiana discuss "Prosecution of the 'Commercial Crook' Under the New Bankruptcy Act." This talk was followed by a skit "The Credit Manager and the New Salesman" which was played by Clem Kuehne, Noel Roe and O. W. Tait.

Atlanta in Service Corp.

Atlanta—Upon the unanimous request of the Board of Directors of the Atlanta A. C. M., the local offices on Dec. 15 were affiliated with the Service Corporation of the N. A. C. M.

OUR DISTAFF SIDE

St. Paul

The lady members of the St. Paul A. C. M. kept the males all agog over their entertainment plans for the Dec. 13 meeting at the Lowry Hotel. This occasion was turned over to them and they did not announce their plans until almost "the last minute" so as to provide a surprise for the male members whose cooperation in the meeting they had politely turned down.

In the photograph below you see the entertainment cast which, taking the ballads of the nineties for its theme, pantomimed the background of the songs to the delight of 125 members and guests. Reading from left to right they are: Florence Kolstad and Verna Bottolfson who did "A Bicycle Built for Two;" Val Schulze and Mary O'Brien who did "Pink Lady;" Rose A. Hipp and T. L. McGill who did "After the Ball is Over," and Elsa Stjernquist who did "Little Old Lady."



San Francisco:

The local Credit Women's Club met in Fresno on Jan. 28 with members of that club as well as Alpha Nus from Los Angeles.

At the regular monthly meeting of the group early in January, Frances Corrigan, Chairman of the Educational Committee, led the members in reading the article "Calling All 'J. C. E.s'", by Mr. Griffith of the Indianapolis A. C. M. which appeared recently in CREDIT AND FINANCIAL MANAGEMENT. Each member read a part of the article which was followed by a similar reading of "Credit As a Vocation for Women" from the Philadelphia Credit Women's Club's magazine.

Rochester

The regular Women's Club meeting was held on Jan. 23 at the Hotel Seneca with Lee Hiatt of Dun & Bradstreet as speaker. The occasion was "boss night." The local club's annual Charity Bridge will be held on Feb. 27 following the annual Ladies' Night Fiesta of the Rochester A. C. M. on Feb. 8.

Seattle

The local Credit Women's Club was active in the Ladies' Night function of the Seattle A. C. M. at the Olympic Hotel on Jan. 27. On Dec. 12 the club's Xmas Party featured entertainment for the wives of the officers and trustees of the Seattle A. C. M.

Tacoma

The local Credit Women's Club staged "Boss' Night" on Jan. 9, at which every credit woman was asked to invite her chief executive to learn of the club, the association, and their activities. The local "Credit Chirps" is issued regularly under the editorship of Bobbie Mattison and Ida McLeod. Mayme F. Wagner is President of the local club.

A second feature of the meeting was a talk by Dorothy Dunne, Secretary to Frank D. Rock, Pacific Coast Credit Manager, Armour and Company, on "The Credit Department of Armour and Company."

New York:

The New York Credit Women's Group held a luncheon and bridge on Jan. 21. At its Dec. 29 meeting the Club enjoyed the annual Xmas Party in the Hotel Shelton which attracted a large turn-out of members and friends. Joseph Rubanow, Vice Pres., Manufacturers Trust Co., was the winner of the Emerson radio contrib-

ZEBRAFFAIRS

Milwaukee Herd installs officers

The December meeting of the local Herd witnessed the initiation of seven new members and installation of the following list of new officers by Past Exalted Superzeb Phil Ruppert: Exalted Superzeb, Carl Peters; Most Noble A. of A., Don Graham; Royal J. A., Art Langham; Three H. P. B., Harry Russell; Keepers of the Zoo, Gene Hellberg and Rudy Knorr.

Oakland Herd offers membership trophy

Thirty Zebras, including the officers and directors of the Wholesalers Credit Association of Oakland, Cal., held a general get-together and house-warming at Secretary Ken. Thomson's new home in Oakland on Jan. 6.

A beautiful electric office clock was put up as a prize by Oakland, challenging Portland and Salt Lake City (where the associations are in the approximate membership classification of Oakland) to a membership contest. Either one of these associations winning the clock four or more times, will retain it permanently. The association losing the clock to another will be obliged to pay for the inscription on the clock to the winning association.

Membership Chairman F. W. Nordhausen, Golden State Company, appointed two captains, dividing the Zebras into two teams, and each man was presented with two cards covering two prospective members who should become members of the Wholesalers Association. The Zebra contest on membership will last for the duration of the national membership year, ending April 30th.

uted by Miss Lillian M. Guth, Treas., Emerson-New York, Inc. Various other gifts contributed by other members and friends were then drawn for under the direction of Miss Marion E. King, Group Chairman. Entertainment by the newly formed Women's Group Music Club and songs by Mr. and Mrs. David Hughes closed the meeting, this program being under the direction of Miss Nell Stinson, American Safety Razor Co., who was Chairman of the Committee.

Utica

Discussions are under way for a benefit performance at one of the local theatres to aid the work of the "Door of Hope," a local organization. This is to be modeled after the efforts of various service clubs who are helping the blind, the crippled and the orphaned.

44th Credit Congress-June 11 to 15

Credit Congress trip

(Continued from page 37)

meals while at Grand Rapids and New York are not included in the arrangement.

For those who are counting on visiting the World's Fair this year, this is an opportunity for a vacation trip of more than eleven days at little more than the cost of ordinary railroad fare and Pullman round-trip from Chicago to New York. Arrangements do not include any overnight trip on the train in either direction and special air-conditioned coaches will be furnished for day travel.

Of course, the rate includes transfer of passengers and baggage between trains, steamer and hotels at all points. It is truly the greatest travel bargain ever offered. Early reservations are urged because of the demand for hotel accommodations in New York.

New Orleans fetes N.A.C.M. leaders

New Orleans—National President Dan. I. Bosschart and other National officers and directors of the N. A. C. M. were guests at the annual dinner dance of the New Orleans C. M. A. on Friday, Jan. 13. Members of the Credit Methods and Practices Committee were also the Association's guests at this event which was a highlight of the annual meeting of the National directors and officers in this city, Jan. 12-14.

Sen. O'Mahoney at N. Y. banquet

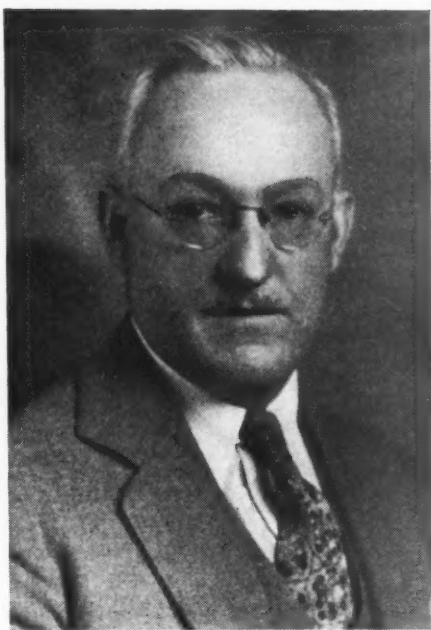
New York—The general forum meeting of the New York Chapter, National Institute of Credit, at the Hotel Astor Jan. 24, featured a speech by Alexander Wall, Sec.-Treas., Robert Morris Associates, on the subject: "Relation Between Sales Volume and Business Capital."

The 44th annual meeting and banquet of the New York C. M. A., is to be held in the Waldorf-Astoria on Feb. 7 with Senator Joseph C. O'Mahoney, Wyoming, who is Chairman of the Temporary National Economic Committee as the featured speaker. The Rev. Moses Richardson Lovell, Central Congregational Church, Brooklyn, will be the second speaker.

Sec. Lung's daughter has D. C. exhibit

Tacoma—Members of the Tacoma A. C. M. were interested in the recent news report of an exhibition of paintings in Washington, D. C., by Rowena Lung Alcorn. Mrs. Alcorn is the daughter of Tacoma Secretary and Mrs. Edward Lung. The exhibit took place in the U. S. National Museum and consisted of 18 canvases of Nez Perces Indians. The exhibition was sponsored by Senator and Mrs. Wm. E. Borah of Idaho and Senator and Mrs. Homer T. Bone of Washington. Among

Credit career



F. Deane Hayes

Pittsburgh—Although practically all of the hubbub in the controversy as to whether William Shakespeare or Francis Bacon wrote the plays attributed to Shakespeare comes from those interested in the Baconian theory, most of us credit Shakespeare with the authorship. But only rarely do we find a man who can, with reasons, point to Shakespeare and say "this was the man," to paraphrase a line in one of the plays.

Such an individual, however, is F. Deane Hayes, president of the Credit Association of Western Pennsylvania and credit manager of the West Penn Power Company. A lifelong student of Shakespeare, Mr. Hayes in 1934 satisfied an ambition to visit Stratford-on-Avon. His belief, which he shares with a long list of men extending back to Shakespeare's own contemporary, Ben Jonson, is that Bacon was not the author of the plays.

Besides literary pursuits, Mr. Hayes is active in religious work. He is a member of the Chartiers Heights Country Club which means that one recreational hobby is golf. Another is an annual fishing expedition to the Canadian lakes and he has 25 trips to his credit thus far.

A native of Pittsburgh, Mr. Hayes is a bachelor. He is a graduate of the School of Business Administration, University of Pittsburgh, and a special student in Contract Law and Negotiable Instrument Act at Duquesne University.

In credit association affairs he has been very active. He had much to do with the success of the Pittsburgh Convention in 1935 and has served with the local credit association as director, first and second vice president, becoming president in May, 1938.

the patrons and patronesses were many other well-known figures in the nation's capital. Art critics applauded her work in reviewing the exhibit.

Mid-West parley has fine program

Kansas City—Credit men and women from Missouri, Kansas, and Oklahoma will get together in an all-day session on Feb. 14 for the annual mid-West Credit Conference. Outstanding among the speakers in the morning session will be R. J. DeMotte, President, Kansas City Chamber of Commerce; R. Carter Tucker, Kansas City attorney, on "Trends of Legislation"; E. E. Barbee, Secretary, Oklahoma City A. C. M., on "Assignments vs. Bankruptcy"; and E. L. Poor, American Mutual Alliance, Chicago, on credit and insurance.

The afternoon session will hear E. N. Allen, Tootle-Campbell Dry Goods Co., St. Joseph, on "The Credit Man's Responsibility to the New Bankruptcy Law"; Hon. Victor Murdock, Editor-in-Chief, Wichita Eagle, on "What Next?"; M. E. Garrison, Secretary, Wichita A. C. M. on "Value of Association Membership"; and National Director C. A. Wells, John S. Brittain Dry Goods Co., St. Joseph, who will summarize the meeting, besides a series of talks on credit methods and practices by credit men delegates to the meeting.

Henry H. Heimann, Executive Manager, N. A. C. M., is to be the featured speaker at the banquet dinner that evening which closes the conference.

Forum series at Cleveland

Cleveland—Hon. Carl D. Friebolin, Referee in Bankruptcy, opened the Cleveland A.C.M. series of credit clinics on Nov. 21 by speaking on the subject: "A Contribution to Credit Men—The Chandler Act," in the Hotel Statler.

On Dec. 5, R. E. Relyea, The J. M. & L. A. Osborn Co. and C. C. Kempel, Rohner Paper Co., discussed respectively the subjects of "Confessions of a Credit Man" and "Hidden Liabilities."

The credit methods and systems committee with E. A. Pulford, National Malleable & Steel Castings Co., as chairman, has a full list of events for subsequent meetings. They follow: Jan. 9: (a) "The Credit Outlook for 1939"—J. W. Lerner, Harshaw Chemical Co. (b) "Cycles—The Credit Men's Merry-Go-Round"—Paul J. Eakin, Hornblower & Weeks. Jan. 23: (a) "Why We Collect Autographs"—E. B. Gausby, The Warner & Swasey Co. (b) "Why We Collect Autographs"—Sadie McGovern, The Joseph & Feiss Co. Feb. 6: (a) "Methods That Must Produce—Or Else"—T. L. Strimple, National Acme Co. (b) "Or Else"—A. G. Prechtel, American Stove Co. February 20: "State Versus A Letter—A Trial by Jury"—C. R. Metcalf, Director, The Oster Manufacturing Co.

Echols Promoted

Sandusky—R. Guy Echols, The American Crayon Company, was recently advanced to the post of Assistant Secretary-Treasurer of that company. Mr. Echols has been active for many years in local and national credit association activities.

Credit Interchange Summary Shows Trend

By Gordon N. Lantz, Credit Manager
Balfour, Guthrie Co., Ltd. San Francisco

Many of us are prone to simply look at and possibly casually study the individual Interchange Reports that come over our desk. Our memories are sometimes short and we fail to retain the trend of accounts in our head, especially when there are several thousand accounts.

In the hope that it will offer a helpful suggestion to some Credit men, there is printed with this article two exhibits of what such a summary may reveal. Our policy is to instruct the file clerk to pull out all files which contain a summary. This is done whenever a new clear-

CREDIT INTERCHANGE SUMMARY

NAME Exhibit I

STREET _____

CITY _____ STATE _____

DATE	NO. INVENT	NO. PAID	CHRG	INT. RATE	INT. DUE	INT. PAID	LOW	C.O.B.	C.O.B. DATE	S.B.B.	S.B.B. DATE	BALING	DPHS
Oct 32	20	4534	—	33									
Nov 32	22	1528	—	33									
Dec 32	23	2200	279	18	5	3							
Jan 33	23	8220	1312	18	9	15							
Feb 33	29	7138	819	8	5	16							
Mar 33	34	5288	3100	4	34	26							
Apr 33	32	7589	4628	3	32	27							
May 33	36	5401	2991	3	36	30							
Jun 33	41	8223	3770	6	41	29							
Jul 33	40	3476	2059	7	3	31							
Aug 33	49	8088	3025	7	12	340							
Sep 33	16	41	1365	428	4	6	31						
Oct 33	16	36	2271	374	20	5	11						
Nov 33	27	4572	1381	17	5	5							
Dec 33	19	34	844	—	20	5	4						
Jan 34	15	35	4439	—	30	5	2						
Feb 34	16	39	5617	—	30	4	1						

NAME Exhibit II

DATE	NO. INVENT	NO. PAID	CHRG	INT. RATE	INT. DUE	INT. PAID	LOW	C.O.B.	C.O.B. DATE	S.B.B.	S.B.B. DATE	BALING	DPHS
Nov 32	20	75	2249	217	25	6	4	—	—	—	—	—	—
Dec 32	20	59	3896	—	28	7	4	—	—	—	—	—	—
Jan 33	20	53	4160	1312	38	8	6	—	—	—	—	—	—
Feb 33	20	58	5121	686	324	7	11	—	—	—	—	—	—
Mar 33	24	50	7197	2900	33	15	12	—	—	—	—	—	—
Apr 33	24	38	3907	8529	24	6	10	—	—	—	—	—	—
May 33	24	41	1100	1324	12	10	17	1	1	—	—	—	—
Jun 33	20	46	6579	2458	12	8	23	—	3	—	—	—	—
Jul 33	21	68	11420	1680	15	19	32	1	1	—	—	—	—
Aug 33	18	60	7315	4609	12	14	32	2	—	—	—	—	—
Sep 33	18	61	92267	497500	14	12	33	1	1	—	—	—	—
Oct 33	17	49	8115	1886	9	17	21	4	1	—	—	—	—
Nov 33	23	52	5117	724	20	2	24	5	1	—	—	—	—
Dec 33	16	47	8161	1900	12	1	27	7	2	—	—	—	—
Jan 34	18	56	5396	2734	7	9	28	8	2	—	—	—	—

ance is being filed. This file is for the especial attention of the Credit Manager and gives him at a glance the trend of an account which at some time prompted him to start a summary sheet. We do not keep such a record on all accounts but on those which are slow or for some other reason should be watched.

You will note particularly the trend which has been brought to light in Exhibit One as indicated by the inserted cross line. In 1932 the account was discounting all bills, in 1933 the trend towards slowness started and by April, 1936 was acute. Unless something happened there apparently would have been several collection items

and maybe more serious results. Something did happen at that time; the firm had been in business for a great many years and was able to secure a substantial loan which immediately started the trend back to normalcy. Today you will note their fine record, but we shall continue to keep this record because the loan will have to be repaid over a period of months or years and their paying record will again reveal how well they made use of it.

Exhibit 2 also reflects the record of an old established company but you will note in addition to a decreasing discount record the rating has also dropped from a good one to nil, together with collection items.

The background on this account is not the same as that of Exhibit A and our terms have been changed accordingly.

This is just a sketchy presentation published chiefly with the thought in mind that some Credit men may find it useful in their analyses of Credit Interchange Reports and may choose to follow such a form.

The slogan "Poor Information, not poor Judgment is the Cause of Most Credit Losses," is a good one to follow, but we must also be able to read the information we have at hand quickly and intelligently. It is with this thought in mind that I worked out the "trend" idea presented above. It has "worked" successfully for me and without too much "detail" to use up time in the credit department.

Busters Beat You Twice

(Continued from page 9) In fact, if you say you are continuing business, I'm charging off 50% right now."

"Well," said John Gill, another of the creditors, "that rather puts it up to the rest of us to meet your proposition. I don't know what will happen when I suggest that 50% charge-off to our President. I'm certainly going to have to take it square on the chin. But I've got it coming and I'm willing to take my medicine. So, Mr. Brooks, I am ready to take your proposition."

One after another the other creditors agreed on their claims, and promised to lend their support to an effort to get every creditor whose goods were found in the Manufacturers Retail Outlet to accept the same proposal.

"All right, write up the agreement," said Brooks. "But, there's one thing more. I don't want this to happen to me again. Brucker and Kelly have given me a pretty good idea of how these crooked deals are put over. And Kelly has convinced me your Association can stop them. I was a bit curious about how this one got by you fellows and I asked Kelly about that. He tells me that you fellows are all members of the Association but that's all. You never call on it for service. Now, I'm suggesting an insurance policy for myself. It's this: Call for Credit Interchange Reports on your new accounts hereafter; and give your claim to the Association when you get a bankruptcy notice.

"And now I have one more suggestion for you; and this one is an invitation I hope you will accept. I have asked Brucker and Kelly to have dinner with me. It's dinner time now and I'd be glad to have all of you fellows join us."

"Meeting adjourned," said Kelly.

When You Receive a Bill

EDITOR'S NOTE: *We are indebted to Miss R. L. Robinson, Credit Manager, The Mid-South Oil Company in Memphis, for the following—which is one of the best collection appeals we have seen in a long time. Its positive note is impressive.*

It is an honor to receive a bill. Instead of getting all riled up when the mail brings you a statement of account you should be genuinely pleased. For the bill is an indication that someone has faith in your honesty.

If you never received a bill it would indicate that your credit is worthless, and that no one is willing to take your word that you will pay.

Credit is the most valuable thing a person can have. Money may be had by various means, but credit comes only from years of honesty and prompt meeting of bills when due. When you pay a bill you are merely being honest.

When you receive a bill, then, meet it if you possibly can. IF YOU CAN'T, FRANKLY TELL YOUR CREDITOR WHY YOU CAN'T. You'll find him more than ready to meet you halfway.

Cherish your credit as you do health, happiness, and other priceless boons equally rare and elusive.

Author Unknown

Vitamins are somewhat mysterious and more or less unknown substances which are present in foods but are not foods themselves.—"Hygeia"

Los Angeles leads the nation in per capita grocery sales.—"National Grocers Bulletin."

The man who never suffered a loss seldom appreciates the important part insurance plays in safeguarding American business.

SINCE 1850
Connecticut
FIRE INSURANCE CO.
OF HARTFORD, CONNECTICUT
Cash Capital, \$2,000,000.00
Surplus to Policyholders, \$15,190,811.89

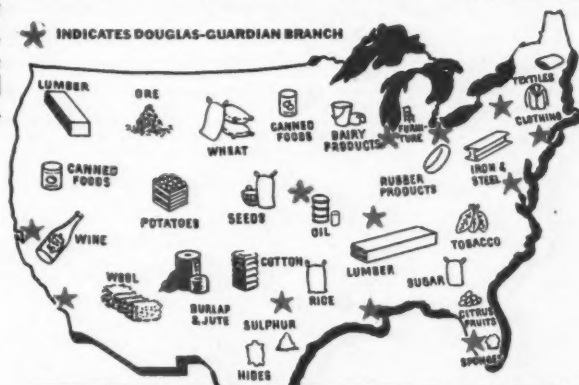


Field Warehousing by Douglas-Guardian

There is no substitute for demonstrated experience in rendering the specialized service of Field Warehousing.

It calls for an insight both into banking and finance—a knowledge of State and Federal laws governing warehousing—and a mastery of a great mass of Field Warehousing technique which involves coordinating a "heap of detail" into a smooth and efficient service. It comes only by experience.

The heads of our company have had over 15 years' experience in this field. Our service is competent and complete. The borrower gets needed capital on a favorable basis—the bank gets a desirable loan. Why not write, wire or phone us about your present need for capital, and the nature of the inventory that would be available for collateral?



Glad to mail you this
FREE BOOKLET

—a concise, yet comprehensive explanation of Field Warehousing in general and Douglas-Guardian specialized service in particular.

Douglas-Guardian Warehouse Corp.
100 W. Monroe St., Chicago

Please send us your booklet "Financing the Modern Way."

Name _____

Address _____

City _____

State _____

Signed _____

DOUGLAS-GUARDIAN WAREHOUSE CORPORATION

National Field Warehousing Service

100 W. Monroe St., Chicago, Ill.

118 No. Front St., New Orleans, La.

Also Branch Offices at

New York, N. Y. Easton, Md. Rochester, N. Y. Cleveland, O. Tampa, Fla.
Memphis, Tenn. Springfield, Mo. Dallas, Tex. San Francisco, Cal. Los Angeles, Cal.

When writing to advertisers please mention Credit & Financial Management

Homemade Chart Records

Suggestions for Making Simple Data Maps

By J. E. Bullard, Distribution Engineer, Center Valley, N. Y.

ONE There is no question that charts give more information, at a glance, than can be given in any other way. There is no question that some information is gained from them which might not be from a table of figures. Whether curves or bars are used, variations, even slight variations, are shown clearly. The general trend is also shown and from charts, the future can be predicted with greater accuracy.

It is true, however, that making up many charts may prove rather expensive. First the chart paper itself must be provided. It is likely that the chart which is being used, that is being made up, needs to be comparatively large. The problem of filing old charts, which may be needed in the future for comparison purposes, is not always an easy one. They take up a good deal of space. Some sort of filing cabinets must be provided to hold them. They are bulky and not always as easy to use as one might wish, especially when a number of them are to be compared.

One way to solve the problem is to make up as many chart boards as are required to make the charts which it is considered desirable to make. These are of ample size. They are mounted upon suitable backings for using map pins. In the case of curve charts, the curves are formed by sticking pins in the chart in the proper positions and connecting these pins with colored string to form the curve. Several different colors may be used, if desired. Strings of different sizes may also be used to distinguish them from each other. The strings may be knotted, also, to make the different ones look different. A combination of different ways to identify each string makes it possible to form a good many different curves on the same chart and still have each one distinct from the others, even though the difference in color is not great enough to provide the distinction desired. In addition to this, different sizes of pins are available and pins with different shaped heads. It is obvious, therefore, that curve charts can be made in this way which will serve any purpose suited to this type of chart.

Making Bar Charts

Where bar charts are desired, narrow lengths of cardboard of different colors can be used. These bars may be long enough to extend clear across the chart. The board extends out far enough from the chart itself to accommodate these bars. The bars are brought forward the proper distance each day and held in place by means of pins. In addition to different colors, the bars may have different designs drawn upon them.

If the cardboard bar idea is not practical because of the additional space required, small spools can be mounted on the board at the start of the bars and ribbons wound on them. The ribbons are unwound and used for bars, being held in place by means of pins.

Obviously, charts can be made up quickly after this fashion. It is merely a matter of compiling the figures and then moving the bars to the proper position or placing pins in the proper spots for a curve and completing the curve with string.

There are a great many other mechanical systems for forming charts. There are mechanical charts of many different types and any firm engaged in making mechanical charts can solve virtually any problem.

When the mechanical chart is used, however, it is used over and over again. After one chart is completed, everything is placed back at zero and another one started. In order that there may be a permanent chart record, the charts must be photographed. Not always are satisfactory provisions made for this photographing.

One way is to take the completed chart to the photographer and have him photograph it in his studio. Another is to have him come to the office and photograph it there. The third way is to do the photographing in the office with office equipment and in many cases this is more satisfactory than any other method.

Photograph to be Taken

Either a photostat or a regular photograph may be taken. Usually, however, the regular photograph will prove more satisfactory and also has the advantage that from the negative prints may be made at any time in the future and of any size within reason. The actual size of the negative needed is determined largely by the size of print which is desired, that is, the largest print which will ever be made. If prints not much larger than regular letter head size are wanted, a negative of lantern slide size, that is about $3\frac{1}{4}$ by $4\frac{1}{4}$ inches will do nicely. One advantage of this size negative is that lantern slides can be made from them by contact printing.

There are times when the charts are best used by projecting them on a screen to any size desired and a lantern slide projector and lantern slides do this very nicely. Since letter size sheets are usually more easily filed because they fit into regular letter cabinets and, probably, into the filing system better than large sizes, the lantern size negative will probably serve the purpose quite satisfactorily in the majority of cases.

A suitable camera for taking the pictures this size can be bought new or second hand and an expensive camera is not needed for the purpose. All that is needed is one which can be focused when brought up close enough to the chart so that it covers the entire negative. To do this, it will usually be necessary to use a bellows camera to obtain a great enough distance between the lens and the negative. The closer the lens is to the object, the longer the distance must be between the lens and the negative. Unless a wide angle lens is used, the ordinary cheap short bellows camera or those with sliding tubes for focusing

cannot be focused to give a sharp picture when the lens is close enough to the chart so it will cover the entire negative.

Equipment not Costly

A slow lens, however, will do for the purpose and as the cost of the lens is measured, to a marked degree, by the speed, this means that a relatively cheap lens will answer the purpose. The lens, nevertheless, should be one which is corrected to the point where all lines will be straight on the negative. One which is not fully corrected will show curves in straight lines.

An easy way to take the photographs is to have a copy frame made. This consists of an easel to which the chart can be fastened and a support for the camera at the proper distance away from the chart and with the camera lens centered on the center of the chart. The back of the camera should be parallel with the chart when it is fastened to the easel. Add a couple of lights with reflectors to illuminate the charts evenly and you are ready to do the photographing. After the right exposure has been determined, with an arrangement such as this, future photographing of the charts is merely routine. It is merely a matter of setting up the charts, placing the camera, turning on the lights and making the exposure which it has been found is correct.

The finishing may well be turned over to a commercial finishing plant or to a photographer. Prints of the desired size are easily made from the negatives. As many of them as are desired can be made of each negative. Lantern slides can be made and the negatives filed away for future use, if desired.

The smaller these negatives are, the less space required to file them away for future use. Also, the smaller they are, the less they cost. In case prints no larger than 8 by 10 inches will ever be needed, negatives as small as an inch by an inch and a half might do. These cost very little. The cameras which take photographs this size vary in price from a comparatively few dollars up to several hundred. A cheaper one, fitted with a lens of short enough focus or a focusing tube long enough to make the chart cover the entire negative will do.

Use Your Camera Enthusiasts

Never before has there been so wide a choice in the way of cameras which can be used for the purpose. A new camera may be bought or a suitable second hand one picked up. A second hand one may not cost much more than half what a new one would.

Usually, in every office, there are one or more persons who have done something with photography. Such a person might well be assigned to the job of making these photographic copies. In some offices there will be employes who have gone into photography to such a degree that they have all the equipment required to make the photographic copies and do all the work from exposing the negative in the camera to making the finished print. There are certain advantages in having such an employe do the work. This is especially the case where the information on the charts is such that it is desired to keep it more or less secret. It might not be altogether desirable to have negatives of such charts finished by a commercial finisher.

Idea File That Saved a Credit Man's Job

(Continued from page 30) dropped here and there in the master index to form the nucleus of future efforts.

One filing folder contained all the best credit letters, another good collection schemes, another contained sketches, another clippings of office short cuts and labor saving devices, and so on down through the alphabet of helpful suggestions, from alpha to omega. Thus it became a simple matter to review past collection methods, letters used, telegrams, stickers, phone calls, and he didn't have to rack his brains for something new and novel all the time, or try to think of some clever idea.

His folder of collection schemes suggested a hundred different methods of approaching recalcitrant debtors and of extracting checks painlessly, in lieu of promises. The folder of collection letters proved a boon in time of need and always produced the desired results when Catlin was hard pressed for a good idea, thus conserving his time, making dictation a simple matter, and easing the pressure from his nervous system so he could smile once in a while now where he always frowned before.

And satisfactory results would always follow each effort, just as surely as night follows day. He adopted a psychological wearing down process, like water constantly dripping on a stone wears it away. Instead of immediate hard and fast pressure, clamping down tight on the debtor and frequently losing an account with his blunt methods, now he used the screw of psychology to worm money out of them.

A series of "paying" reminders, starting off mildly with a comic sketch, grew gradually from week to week by leaps and bounds until the debtors felt the urge to pay up in whole or in part, just to be rid of the annoying pest . . . an annoyance which did not anger but worried. For Catlin discovered that "anger" turns away a check, but "worry" provokes payment.

Thus Catlin achieved a foundation which assured the present and made the future safe financially. He simply buttonholed an idea and used every one that had a grain of promise. He used every logical vehicle which would get under the debtor's hide and pry a check loose.

Catlin no longer had to depend upon the spur of the moment to dictate what he felt like telling the debtor, and so frequently failing when he intended to get results, or some irate customer paid up and quit. His game was now to play chess with the debtors and to employ a phalanx of ideas, moving his pawns and waltzing around his knights, to check the king.

The "chief" too was pleased, for he called Catlin into his private office and congratulated him. "I thought I'd give you a good razzing and set an impossible mark for you to shoot at," he grinned.

"And suppose I hadn't toed the mark?" Catlin asked.

"I was contemplating putting the skids under you first and taking on a new credit manager afterwards," Brett Brown, general manager, confessed.

The twinkle in Catlin's eyes slowly faded. "So that's the way it might have been."

Reader Replies to Article on "Folly of Installment Buying"

Dear Editor:

Referring to the article in your December issue of *Credit and Financial Management*, entitled, "Ten abuses of installments," taken from "The Folly of Installment Buying," by Roger Babson (F. A. Stokes Co., N. Y.), the following ten abuses of installment plans were recently listed by "Domestic Commerce."

I have never thought of your publication as a propaganda sheet nor as an instrument through which one business would be the target of abuse as against another business. You have hundreds of members and subscribers who are in the installment business and in installment financing. It would appear to me that before printing an article of this kind you would allow those who are in this business to have their ideas printed along with it to show Ten Advantages of Installment Selling.

It would appear to me that the author of this article has not given very close study to the question of installment selling or has aversion to that kind of credit as against open account credit, or has some other selfish motive in attacking installment buying.

Abuse No. 1. Is there any difference in the conclusion that one can draw from this so-called abuse as applied either to open account credit or installment credit? And, would it not be a better protection for the installment plan buyer to budget his income then it would for the open account buyer, who does not budget his income?

Abuse No. 2. His statement might be true of any younger generation. Naturally, as conditions change, the younger generation want to live as they have a right to live under the new conditions, and who is to be the judge as to who has the right to luxuries, and who has not? And, where does he draw the line between necessity and luxuries, and, as to the conclusion as to what happens to the purchaser on installments, it would appear as less harmful than to the purchaser on the open account method under the same circumstances.

As to Abuse No. 3. What right has this writer to make a definite statement that installment buying leads to ex-

travagance? We in the business could prove it is a check upon extravagance. He is going under the assumption that people take on one installment obligation after another regardless of their ability to pay which is not true, and which can be proven by the statistics of the percentage of repossessions and losses which can be easily obtained from authentic sources.

Abuse No. 4. Would this not also apply to all buyers on any credit plan? In fact, the installment plan makes it possible for those people who do not have the cash to buy a better quality of goods of longer lasting value, to buy those better articles than if they would not have this avenue of the deferred payment plan.

Abuse No. 5. This statement could be classed as an abuse of open credit buying rather than the abuse of installment buying.

Abuse No. 6. This is another statement that proves that installment purchase plan has not been an abuse, but an advantage. The author admits that it is true that savings accounts have increased as the installment selling has increased and bases the abuse upon the fact that if there had not been so much installment selling, there would have been a greater savings, but the conclusion is contrary to the fact admitted.

Abuse No. 7, is, on the face of it a propaganda statement of insidious nature. Just because some few may conduct installment selling under questionable methods,—is that a fair basis upon which to condemn a whole system? Is this not also true in all lines of business? Or, are all others, including bankers, pure Lily White?

As to Abuse No. 8. Again back of the statement of these abuses shows one-sided thinking and undoubtedly from selfish motives. The author is attacking the deferred payment plan because without it the buyer would have more purchasing power for the open credit plan, and Utopia!! all credit buyers would pay their bills on the 10th of the month. Where is the proof of such a possibility, especially taken from past records? Just the opposite would be true if we could eliminate *open credit* because then credit buyers would have to budget

their income.

Abuse No. 9. From authoritative sources this can be proven to be untrue. Installment selling has increased production tremendously. For example, if it were not for installment selling of automobiles so that mass production can be used, the cost of the middle price car would be four or five times as great as it is. This holds true of electric refrigerators, washing machines and other home necessities manufactured in large quantities, due to the installment plan thereby increasing jobs and benefiting widely different industries and making the purchasing power greater for all.

Abuse No. 10. This again is a theoretical hypothesis from the author who has not considered facts and figures. He is assuming that a buyer of a washing machine (to cut down manual labor and give more time for other activities), would allow her children to go without shoes and clothing so that she could buy this washing machine???


If the author's arguments and conclusions are correct, then it would also follow that it would be equally unsound from an economic standpoint for the public to buy homes and mortgage their future.

May I have your comments.

Very truly yours,

LOUIS HILLER,
Universal Finance Corporation.

Insurance Policies Used as Collateral

 In an address recently before the New Jersey Bankers Association, Mr. Benjamin L. Holland assistant secretary of the Phoenix Mutual Life discussed some phases on business life insurance when used as collateral for loans. He named six points which should be especially noted in such transactions. They are also of especial interest to credit executives who accept assignments of business life insurance policies as guarantees for extended lines of credit to large customers. Here are the six points named by Mr. Holland as the more important to watch:

1. Most of the present loans on life insurance policies are made against the loan or cash values, although more attention should probably be given by banks to the use of life insurance to protect commercial loans where the

death of an individual will jeopardize the loan.

2. Where loans are made against the cash values, the policies should be transferred by an assignment executed by the insured and all beneficiaries, except in the few cases where the policy specifically permits the insured alone to make the assignment.

3. Policies transferred as collateral should usually be made payable in one sum. Care should be used not to destroy a family income program merely to make a loan by a bank.

4. There should be an assignment absolute on its face, supplemented by a complete agreement, or the assignment should contain the loan agreement; but in either case the bank should be given control over the values under the policy.

5. The agreement should cover such details as the suretyship problem, the right of the bank to secure the loan or cash values, and the right to exercise such other control of the collateral as is necessary. In a booklet on "Life Insurance as Collateral" I have given a specimen agreement in detail. I believe most of you have copies. Any agreement used should, of course, be carefully reviewed by local attorneys so that any modification required by local law can be made. The booklet gives a citation of all cases decided up to the first of this year.

6. When properly arranged there is no form of collateral that offers better security than the cash value of a life insurance policy issued by a reliable company, because the amount necessary to liquidate the loan is always available. However, this type of security requires special administration and should not be undertaken by any bank unless its executives have carefully reviewed the problems involved and have established a definite procedure.

Which? If after the loss you could have your choice of the best insurance or the cheapest - which would you take?

SINCE 1854
THE PHOENIX
INSURANCE COMPANY
OF HARTFORD, CONNECTICUT
Cash Capital, \$6,000,000.00
Surplus to Policyholders, \$44,807,872.44



133-ton stator for metropolitan power plant

Engineers take no risks in handling spectacular loads. Hoisting lines are loaded to less than *one-fifth* of their rated strength.

But Credit Executives *do* take risks when merchandise is moved on the strength of a "line of credit" only. The condition of the "line" may alter radically during that period of suspense which lasts 30, 60, or 90 days.

American Credit Insurance

is not intended to supplant in any part or to any degree the normal program of credit extension -- the careful study of customers and prospects, and all available data concerning them. Credit Insurance simply fortifies the good judgment of the Credit Executive and projects it into the *future* by guaranteeing a fund upon which to draw when unpredictable credit losses occur. Delinquencies are also liquidated.

"American" policies are now available on all classes of debtors under liberal terms. Investigate.

American Credit Indemnity Co.

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Traffic Fatality Rate Is Lowest in History Safety Council Reports

CEN "About three years ago, at the beginning of 1936 when the previous year's traffic fatality rate of 17.4 per 100,000,000 vehicle miles was placed on record, I said that the new war on accidents would be successful if within the relatively short period of five years that rate was reduced to 10. Today the National Safety Council reports that for the first nine months of 1938 the rate was just above 12 deaths per 100,000,000 vehicle miles," says Paul G. Hoffman, President of the Automotive Safety Foundation.

"This figure takes on real significance when we measure it against the present vehicle mileage in the United States. It reflects a reduction of one-third in the accident rate since 1935, which means a saving of 12,000 lives, a reduction of not less than 350,000 injuries and a reduction in cash loss of \$350,000,000 from accidents. It is the lowest highway fatality rate in history.

"These gratifying results have come about as the result of the efforts of public officials in federal, state and local units of government, and reflect, I believe, a growing recognition of our contention that accident prevention, like crime and fire prevention, is the responsibility of public officials.

"I cannot emphasize too strongly the basic principles which we believe must be observed.

"First, traffic safety is a local problem. Accidents occur one at a time and over a widely distributed area geographically. With an average expectancy of 100 fatalities per day, those occur in 48 states, thousands of cities and towns, and on isolated stretches of our more than 3,000,000 miles of road.

"They occur among 45,000,000 average drivers, very few of whom are subject to any discipline other than the state driver licensing laws and the ordinary police supervision, as contrasted with commercial fleet drivers where the discipline of management has brought about a rigorous control of the accident record.

"Second, the primary responsibility for traffic control and accident reduction is that of public officials given

the authority by law to build and maintain streets and highways and control their use. Unless these officials accept their responsibility and coordinate their efforts, little permanent good can be accomplished. By the same token, however, these officials cannot go any faster or any farther than the public will support them.

"Third, accident prevention costs money. But it doesn't cost anywhere near as much to prevent them as to continue having accidents. I think it a fair estimate that we are today spending for accidents \$30 to every dollar that we are spending for their prevention. Certainly, any business with this leak in its operations would not hesitate to cut down the loss and especially when at least \$10 could be saved for every dollar of expenditure.

"Fourth, this job requires trained men. Trained in all the specialized fields of accident prevention, and trained for work in both official and private capacities.

"And fifth, there must be a soundly conceived, correlated program carried on aggressively over a long period of time. This isn't simply an emergency. It is a long-term campaign. It will be successful only if entered upon with that realization. We are just now beginning to see the results of a 25-year fight for industrial accident control. Similar campaigns for safe use of fire-works, for control of tuberculosis, and other broad movements have taken ten, twenty, thirty years to become automatic in their public acceptance."

"The industry has always considered its first responsibility as that of providing a safe vehicle. Millions of dollars are spent annually in research laboratories and on proving grounds to improve the vehicle and with particular emphasis upon its safety features.

"Beyond this, and predicated upon an excellent industrial safety record, the industry believes it should also set an example of good driving. Individual plants maintain the most rigid control of drivers on proving grounds, among inter-plant drivers, trucking and passenger vehicle operations under fac-

tory control, and among salesmen and other passenger fleet operations.

"In June, 1937, the Automotive Safety Foundation was organized to carry forward on behalf of the industry the expanded highway safety program initiated eighteen months earlier.

"In brief, the motor industry's objective in its contribution to the war on accidents has been: (1) To help discover and develop the most effective accident prevention techniques; (2) to provide the trained men to apply them, and, finally, to throw its full support behind their adoption on the widest possible scale, and to support to the utmost the programs and efforts of public officials of the Federal, state and local governments."

"Quicker Collections with Less Grief"

CEN That is the title of an interesting 16-page bulletin in the series of eight Reports on The Hammermill Survey of Business Practice which we recently came across.

These Reports were published a number of years ago by the Hammermill Paper Company, Erie, Pennsylvania, and we understand that they were distributed free of charge to hundreds of business executives. Perhaps some of our readers received copies of them.

We are all aware that the speed with which collections are made directly affects profits in our businesses. Quick collections stimulate sales, thereby increasing gross volume; they speed-up the revolution of working capital, which enlarges gross profits; and through their well established effect of holding bad debt losses at a minimum they add directly to net profits.

Report VI (as this bulletin is known) describes how well organized collection forms and records can be used to insure money-saving collection methods and procedures, and illustrates several typical forms.

Although some of the figures shown in this Report have necessarily become obsolete because of the changes caused by improved credit conditions and systems, the general theory outlined in it is still up-to-date and, we believe that if credit men found only one good idea

in it that it would be worth the time they took in studying it.

Copies of Report VI are still available without charge, and can be had by addressing a letter to the Advertising Department, Hammermill Paper Company, Erie, Pennsylvania.

A CREDIT MAN

By F. V. Swender, Kansas City

A credit man sits at his desk
A-checking over files,
And thinking of his customers
O'er many scattered miles.

He really doesn't like to sit
And write "duns" every day,
And start his letters—"Please remit",
And end—"When will you pay?"

But he can't understand those who,
In good times or in bad,
Just never seem to pay their bills,
To ask them makes them mad.

He well knows why some customers
The conscientious kind,
Although they try their very best
Will sometimes get behind.

He's thankful for some customers,
Who, always prompt to pay,
Will get their goods, write out a check
And send it right away!

And so he hopes the time will come,
And very soon, "by heck!"
When he can start each letter with
A "Thank you for your check!"

During their first year of driving,
motorists are apt to be cautious. In
the second year comes a period of over-
confidence with insufficient experience,
during which most accidents are likely
to occur.—"Fact Digest."

Scars come as the result of
wounds. Business wounds,
the result of fire, windstorm,
or explosion, leave no scars
when insurance is properly
applied.

SINCE 1854

**THE PHOENIX
INSURANCE COMPANY**
OF HARTFORD, CONNECTICUT

Cash Capital. \$6,000,000.00
Surplus to Policyholders. \$44,807,872.44



The Draft This Man handed you . . saved your business from bankruptcy

YOU thanked *this man* when he handed you the large U.S.F. & G. draft to cover the loss from embezzlement by one of your trusted employees. You continued in business without interruption—your credit standing unaffected—despite a loss which would ordinarily have put you into bankruptcy.

Remember how you got slightly angry with *this man*, too, when he said to you—"Don't you think you should have protection from embezzlement?" You'd told him that your employees had been with you for years! Then you thought it over. You hadn't realized that the danger of loss through dishonest employees is as potent as the danger of fire.

This man—who passed on to you the *friendly word* of advice—was one of the 9,000 U. S. F. & G. Agents. He has contact with the coverage problems of every variety of business. Your local U. S. F. & G. Agent will consult with you regarding *your* coverage problems—show you the various ways in which fidelity, casualty and surety insurance can protect you and your business. Your local telephone book will give you the name of your local U. S. F. & G. Agent. Telephone him today.

"Consult your Agent or Broker as you would your Doctor or Lawyer"



U. S. F. & G.

UNITED STATES FIDELITY AND GUARANTY COMPANY

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FIDELITY & GUARANTY FIRE CORPORATION

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Property taxes declining

State taxes on property during the past twelve years have shown a tendency to decline. This gradual reduction includes the period of the depression, although during the depression itself movements of tax rates were far from uniform. These conclusions are reached by Thomas J. Reynolds in a survey of state property-tax rates included in the "Studies in Current Tax Problems," published by the Twentieth Century Fund.

Mr. Reynolds made a compilation of state tax rates covering the twelve-year period from 1925 through 1936. In analyzing the results, he says, "It is evident, taking the picture as a whole, that state taxes have a tendency to decline rather than to rise."

The figures show some contradictory tendencies during the depression. Four states, Massachusetts, Minnesota, Montana and Utah, raised their rates rather consistently through the depres-

sion years. On the other hand, eight states, Connecticut, Maryland, New Jersey, New York, Rhode Island, Tennessee, Washington and Wisconsin, just as consistently lowered their rates during the same period.

In about one-third of the states, the variations from year to year in the midst of the depression reveal no general movement in either direction. Mr. Reynolds remarks, "They indicate merely that property-tax rates were set with an eye to the requirements of a balanced budget, which may have been large or small in a given year."

As a further check on his general conclusion that state tax rates as a whole are declining, Mr. Reynolds made for each state a compilation of the average rate during the first four years of the period (1925 through 1928) and compared this with the average rate for the last four years (1933 through 1936). It was found that in thirty-one states the average rate during the later period was lower than the average for the earlier period. In

only eight states was the situation reversed. The later period includes depression years, of course.

On tracks of the Alaska Railroad, moose have the right-of-way. Approaching moose on the tracks, trains slow down and the animals, which often weigh more than one thousand pounds each, amble off.—"Fact Digest."

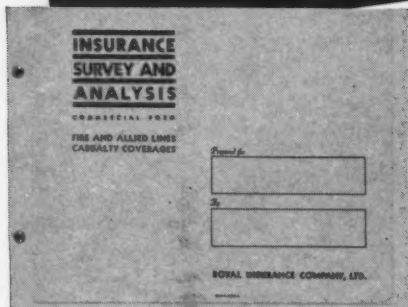
Gold is not always in the form of ingots. When you need it most you may find it in an insurance contract.

SINCE 1859

FOUITABLE

Fire & Marine Insurance Company
PROVIDENCE, R.I.

Cash Capital, \$1,000,000.00
Surplus to Policyholders, \$5,434,071.36



"A CREDIT REPORT" on YOUR Insurance Set-up

COST-FREE and obligation-free you may obtain from any agent of the Royal-Liverpool Groups an Insurance Survey and Analysis which will—

- (1) show the insurable hazards peculiar to your business, the extent to which they are now covered, and a breakdown of your insurance costs;
- (2) point out any weakness in your insurance protection;
- (3) submit recommendations which may reduce the cost of your insurance program or provide for it more efficiently.

Why not let a local representative of the Royal-Liverpool Groups demonstrate his ability to serve you by means of such a Survey and Analysis?

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STATEMENT—DECEMBER 31, 1938

FIRE

AUTOMOBILE

MARINE

and Allied Lines

of Insurance

ADMITTED ASSETS

Cash in Banks and Trust Companies	\$ 12,053,210.03
United States Government Bonds	9,693,243.72
All other Bonds and Stocks	87,847,547.66
Premiums uncollected, less than 90 days due	6,908,581.09
Accrued Interest	220,635.00
Other Admitted Assets	1,081,196.35
	<u>\$117,804,413.85</u>

LIABILITIES

Capital Stock	\$ 15,000,000.00
Reserve for Unearned Premiums	43,558,406.00
Reserve for Losses	5,914,743.00
Reserve for Taxes and Accounts	2,800,000.00
Funds Held under Reinsurance Treaties . .	64,800.00
NET SURPLUS	50,466,464.85
	<u>\$117,804,413.85</u>

NOTE: In accordance with Insurance Department requirements—

Bonds are valued on amortized basis. Insurance stocks of affiliated companies are carried on basis of pro-rata share of Capital and Surplus. All other securities at Market valuations. Securities carried at \$2,555,325.00 and cash \$50,000.00 in the above Statement are deposited as required by various regulatory authorities.

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The next few years will see a whole new group of executives controlling business. Your chance to be one of them was never better—the requirements were never more clearly outlined.

Yesterday's viewpoint means oblivion for thousands of executives—today you must have an up-to-the-minute mastery of certain underlying credit and business principles, and you must know how to apply them to the problems of tomorrow.

To help business men meet today's ever-increasing demands for a broader grasp of basic credit and business fundamentals, the National Institute of Credit has prepared a home-study training course covering Credits and Collections.

This course, designed to give you the greatest amount of credit training in the shortest possible time, is ideally suited to the limited spare hours of the busy business man. Consisting of lesson leaflets based on a recognized authoritative text, printed lectures by credit authorities, and typical credit problems selected from actual situations—the course assignments can be scheduled to suit your own convenience.

If you are engaged or interested in credit work, you do not need to be reminded of the significant part it plays in the commercial and business structure. Now is the time to use this practical means to prepare yourself for greater responsibilities just ahead.

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Please send me full information about your course in Credits and Collections.

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New Tabulator Is Designed for Form Work

FAn electric carriage Form Writing Machine with *selective tabulation* has recently been announced by Burroughs. Especially designed for use by wholesalers, jobbers, banks, public utilities, manufacturers, insurance companies, finance companies, investment and brokerage houses, breweries, and all types of retailers, the new unit is known as the Burroughs Selective-Column Form Writing Machine.

By permitting the operator to tabu-



late *directly* to any desired column on the form merely by depressing the key which selects that column, selective tabulation simplifies and speeds the writing of "size" column invoices, financial and statistical reports, sales and purchases distribution, and payroll distribution sheets.

When equipped with a front-feed chute, the machine is readily adaptable for registering checks and drafts, writing utility bills, delinquent notices, meter connect and disconnect orders, premium notices, and other similar forms. Insertion of these smaller, original forms does not disturb the journal, register, or distribution sheet which remains in the machine.

Through use of continuous forms on which progressive sizes or other classifications have been pre-printed as column headings, the number of key strokes required to write the body of an invoice is cut approximately in half. With the additional advantages of column selection, an extremely fast, efficient operation results.

The new Burroughs machine may be equipped with a form holder which rides with the carriage, eliminating side-pull on continuous forms, and assuring better registration and neater results. Unit forms may be used equally well if preferred.

Carriage movement from left to right is controlled by the electric carriage return key, which provides a full return or partial return (reverse tabulation) to an intermediate position.

How community credit control *reduces* retailers credit costs



Send for free booklet

Wouldn't you like to know whether community credit control can help cut the credit costs of your retailer customers? This new book helps to answer that question. Here Dr. Clyde W. Phelps, the well known credit authority, describes the results obtained by community credit control in Cincinnati, Detroit, and other cities.

Many benefits obtained

He explains the policies adopted, tells how they work, and reports the benefits obtained by the stores co-operating in the effort.

In Cincinnati, for instance, credit managers found that the new policy decreased the expense of the stores for interest on capital tied up in receivables, reduced bookkeeping and collection costs, and cut bad debt losses.

In Detroit, credit sales have consistently shown a greater increase than total business of the stores each year since the plan was adopted.

In your city a community credit control policy should produce equally good results. Dr. Phelps' booklet tells how to create a community credit policy and how to carry it out. Copies for distribution to your customers will be supplied for mailing costs only. The booklet is published by Household Finance as a contribution to better credit methods. Why don't you send the coupon for a free sample copy now?

See Household's interesting exhibit "Stretching Your Dollar" at the New York World's Fair

HOUSEHOLD FINANCE

CORPORATION and Subsidiaries
"Doctor of Family Finances"

... one of America's leading family finance organizations, with 240 branches in 153 cities

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Dept. CFM-2, 919 N. Michigan Ave., Chicago, Ill.
Please send me free copy of "A Community Credit Control Policy." This request places me under no obligation.

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The business thermometer:

Manufacturers:

Manufacturers' sales during December 1938 increased 4 per cent over last December, according to reports from 1,676 manufacturers cooperating in the monthly joint study of the National Association of Credit Men and the Bureau of Foreign and Domestic Commerce. This was the second consecutive month during 1938 for which sales increased over the comparable month of 1937, November sales also being up 4 per cent.

Total sales for this group of firms during December amounted to 274 million dollars as compared with a sales volume of 262 million dollars in December 1937 and 289 million dollars during November 1938.

Of the fifteen industry groups for which data are shown separately, only four failed to attain their December 1937 sales volume. Of these the most substantial decline was registered by the Petroleum Products Industry with a sales drop of 23 per cent. This large decrease occurring in such an important

industry tended to obscure the relatively favorable position enjoyed by the rest of the industries.

This is well illustrated by the fact that all industries except petroleum showed a net increase of 8½ per cent in sales over December 1937, instead of the 4 per cent shown for the total including this industry.

1938-1937 Comparison

Manufacturers' sales during the calendar year 1938 declined 17½ per cent from 1937, according to almost 1,600 manufacturers furnishing reports for both periods. Total net sales for this group amounted to 3,217 million dollars during 1938 as compared with a sales volume of 3,898 million dollars for 1937.

Wholesalers:

Wholesale trade during December increased 1½ per cent from last December, according to reports from more than 2,500 wholesalers cooperating in

the monthly joint study.

Total net sales for the reporting group during December 1938 amounted to 184 million dollars as compared with 181 million dollars for December of last year and 184 million dollars in November 1938.

December sales decreased less than one percent from November 1938 without adjustment for seasonal variation. This decrease is considerably smaller than the 7 per cent decline between these months during 1937. Between November and December 1936 there was an increase of about one per cent.

Nineteen of the twenty-nine lines of wholesale trade for which data are shown separately, recorded sales increases over December 1937. The greatest gain was shown by wholesalers of Shoes and Other Footwear with an increase of 37 per cent from last December, followed by distributors of Furniture and Clothing with gains of 24 per cent and 21 per cent respectively.

The largest declines were reported by wholesalers of Farm Products and

MANUFACTURERS' sales and collections on accounts receivable, December 1938

Industry	December Dollar Sales			Sales for 12 Mos. 1938			Collection Percentages*			Total Accounts Rec.		
	Number of firms	Percent change Dec. 1938 from		Number of firms	Percent change from 12 Mos. '37	Twelve Mos. 1938 (000's)	Number of firms	Dec. 1938	Dec. 1937	Nov. 1938	Percent change Dec. 1, '38 from	
		Dec. 1937	Nov. 1938								Dec. 1 1937	Nov. 1 1938
Food and kindred products, total.....	413	0.0	-1.3	369	-10.3	\$791,401	295	134	128	127	-8.8	-0.9
Confectionery.....	207	+3.8	-13.0	179	-6.6	183,272	114	136	137	137	-4.4	+8.6
Flour, cereals and other grain mill prod.....	32	-12.7	+2.5	26	-18.2	115,452	27	145	144	137	-19.3	-8.3
Meat packing.....	26	+0.1	-7.9	26	-8.7	86,807	24	201	209	199	+2.8	-3.3
Distilled liquors.....	7	-14.9	-13.9	6	-22.2	15,421	7	103	101	121	-22.0	+34.1
Malt liquors.....	14	+7.8	-6.2	12	+4.1	77,291	11	136	126	146	-1.9	-3.8
Wine.....	23	-4.8	+2.7	21	-18.1	6,166	20	66	71	59	+2.0	+12.1
Other food products.....	104	+4.4	+14.5	99	-11.8	306,992	92	132	120	113	-9.5	-8.7
Textiles and their products, total.....	131	+19.3	-1.2	129	-21.3	258,403	122	73	65	68	-6.1	-4.7
Clothing, men's, except hats.....	33	+17.4	-18.7	34	-19.0	48,667	30	57	52	49	-13.4	-6.6
Clothing, women's, except millinery.....	25	+12.2	-11.2	25	-10.1	19,302	24	75	74	73	-4.5	-14.8
Knit goods.....	11	+7.0	-29.2	11	-11.4	23,333	11	75	74	70	-4.3	+3.1
Other textile products.....	62	+21.7	+8.5	59	-24.2	167,101	57	79	68	74	-3.8	-4.0
Forest products, total.....	70	+20.1	-8.6	71	-27.0	51,934	65	72	65	68	-9.8	-9.7
Furniture.....	38	+14.1	-11.9	38	-23.0	28,518	35	63	55	59	-11.0	-8.7
Lumber, timber, and other miscellaneous forest products.....	32	+28.2	-4.3	33	-31.5	23,116	30	88	83	84	-7.5	-11.4
Paper and allied products, total.....	108	+8.1	-0.4	104	-15.1	140,068	168	85	79	82	-1.0	+1.8
Paper, writing, book, etc.....	29	+14.7	-7.7	28	-5.3	42,208	21	93	92	92	+10.1	+4.5
Paper, boxes and other paper products.....	57	+10.6	-0.8	55	-18.8	89,216	57	107	101	98	-0.1	-1.4
Wall paper.....	22	-10.5	+19.9	21	-16.0	14,644	21	33	29	36	-11.0	+6.3
Printing, publishing and allied industries.....	74	-8.2	+4.8	72	-12.6	25,791	69	65	70	62	-5.7	-9.6
Chemicals and allied products, total.....	125	+15.8	-8.4	124	-11.7	162,480	114	70	72	70	+3.9	-4.8
Paints and varnishes.....	65	+28.8	-9.9	62	-18.4	41,304	61	50	50	53	+2.6	-5.9
Pharmaceuticals and proprietary medicines.....	23	+8.4	-5.1	24	-6.1	19,566	21	56	56	57	-2.0	-4.1
Other chemical products.....	37	+12.8	-8.4	38	-9.7	101,610	32	90	95	87	+7.1	-4.1
Petroleum.....	17	-22.8	-19.4	17	-4.9	392,379	13	110	107	110	-4.4	+5.8
Rubber products.....	16	+26.0	-11.0	16	-11.5	43,931	15	61	59	67	+0.5	+0.2
Leather and its products, total.....	115	+18.5	-7.2	111	-13.3	287,045	99	74	52	55	-22.8	-34.5
Boots and shoes.....	45	+17.8	-14.9	42	-9.7	204,373	41	71	46	49	-29.6	-41.1
Leather: tanned, curried, and finished.....	41	+18.6	+9.5	41	-21.4	72,056	35	86	80	85	+7.1	-3.7
Other leather products.....	29	+27.2	-4.1	28	-19.8	10,616	23	80	81	79	+12.2	+2.6
Stone, clay and glass products.....	56	+7.3	-16.0	50	-17.9	96,721	51	79	77	80	-4.1	-10.9
Iron and steel and their products, total.....	165	+19.2	-3.2	154	-36.5	255,369	151	90	89	90	-4.2	-2.0
Hardware.....	17	+15.1	-10.3	15	-25.9	30,328	16	81	78	80	+8.6	-6.8
Stoves, ranges, steam heating apparatus.....	19	-22.2	-23.3	19	-26.8	20,146	19	70	84	74	-11.1	-5.4
Other iron and steel products.....	129	+23.3	-1.1	120	-39.3	235,895	116	93	91	93	-4.7	-1.2
Non-ferrous metals and their products, total.....	49	+27.7	-11.4	50	-24.0	102,940	46	68	60	64	+0.6	-0.8
Jewelry and jewelers' supplies.....	25	+32.3	-14.7	26	-15.8	48,137	23	58	48	57	+0.3	+4.5
Other non-ferrous metals.....	24	+23.5	-8.0	24	-29.9	54,803	23	78	74	71	+1.0	-6.2
Machinery, not including transportation equipment, total.....	222	-0.9	-0.8	214	-24.1	417,444	192	62	63	62	-5.7	-3.8
Electrical machinery, apparatus and sup.....	97	+6.2	-3.3	94	-22.0	265,831	83	63	63	63	-0.4	-5.5
Other machinery, apparatus and supplies.....	125	-14.0	+5.5	120	-27.6	151,613	109	59	65	60	-15.9	+0.4
Motor-vehicle parts.....	43	-3.6	+2.4	43	-41.6	43,071	39	80	87	75	-13.4	-1.9
Miscellaneous industries.....	72	+23.1	-4.1	67	+0.1	110,547	61	79	74	77	+6.3	-4.3
Total.....	1,676	+4.4	-5.2	1,596	-17.5	3,216,524	1,431	85	80	79	-6.7	-7.3

*Collection percentages are obtained by dividing collections by accounts receivable for an identical group of firms.

Machinery with losses of 24 per cent and 12 per cent respectively.

1938-1937 Comparison

Total wholesale trade during the year 1938 declined almost 13 per cent from 1937 according to almost 2,500 wholesalers furnishing reports for every month of both years. Total net sales for this group amounted to 2,094 million dollars during the years as

compared with a sales volume of 2,395 million dollars for 1937. Improved business conditions during the last quarter of 1938 are reflected in this decline as wholesale trade recorded a loss of almost 15 per cent from 1937 during the first nine months of the year.

The remarkably improved sales position of almost every industry at the end of the year is well illustrated by

a comparison of the December and annual percentage changes from 1937. The upturn which commenced in the late spring and early summer months of 1938 resulted in November and December sales volumes in excess of the corresponding months of 1937. This contrasts sharply with the average decline of 17½ per cent recorded for manufacturers' sales for the year as a whole.

WHOLESALESAERS' sales and inventories, December 1938

Kind of Business	December Dollar Sales			Sales For 12 Mos. 1938			End of Month Inventories (Cost)			Stock-Sales Ratios*		
	Number of Firms	Percent change Dec. 1938 from		Number of Firms	Percent change from 12 Mos. 1937	First 12 Mos. 1938 (000's)	Number of Firms	Percent change Dec. 1938 from		Dec. 31, 1938 (000's)	Dec. 1938	Dec. 1937
		Dec. 1937	Nov. 1938					Dec. 1937	Nov. 1938			
Automotive supplies.....	157	+ 1.3	-15.2	159	- 7.0	\$32,514	62	- 8.1	- 5.9	\$2,723	284	296
Chemicals.....	11	+ 5.7	- 8.6	11	-13.0	6,104	6	-11.3	+ 2.8	477	145	176
Paints and varnishes.....	30	+ 1.6	-13.3	27	-12.9	19,007	7	-11.0	+ 2.9	284	437	469
Clothing and furnishings, except shoes.....	29	+20.7	-22.5	29	-15.2	21,902	12	-18.6	-13.5	639	178	273
Shoes and other footwear.....	37	+36.7	-18.3	39	- 9.6	130,079	21	-11.3	+20.0	6,439	174	297
Coal.....	9	- 2.6	+23.8	8	-21.9	7,783	—	—	—	—	—	—
Drugs and drug sundries**.....	67	+ 2.2	+ 9.1	73	- 2.9	101,791	41	- 3.1	- 4.2	8,920	201	217
Dry goods.....	105	+10.4	-17.1	101	-14.8	111,000	65	-20.5	- 4.7	13,073	219	299
Electrical goods.....	335	-11.1	+26.7	319	-25.8	181,155	282	-35.4	-13.9	16,044	95	129
Farm products (consumer goods).....	60	-23.9	- 5.0	57	-13.1	51,496	38	- 4.0	- 9.7	1,362	51	49
Farm supplies.....	6	-11.4	+ 1.7	6	-25.3	5,476	—	—	—	—	—	—
Furniture and house furnishings.....	39	+24.4	- 3.0	37	-17.9	29,776	16	-24.7	+ 0.3	3,494	217	420
Groceries and foods, except farm products.....	669	- 3.7	- 2.4	659	- 9.5	590,874	356	- 9.9	- 6.5	46,833	161	172
Meats and meat products.....	36	+ 7.8	+ 0.4	28	- 3.0	121,188	19	- 9.5	- 3.9	953	50	53
Wines and spirituous liquors.....	15	- 4.5	+29.1	13	- 6.7	13,606	10	+ 3.8	+ 2.0	2,085	149	135
Total hardware group.....	396	+ 4.2	- 5.6	392	-17.4	297,427	237	-11.1	- 3.4	43,919	274	320
General hardware.....	159	+ 6.4	- 6.4	156	-14.0	197,783	96	-11.9	- 4.0	31,474	282	338
Heavy hardware.....	24	- 0.2	- 7.0	24	-18.6	11,803	17	- 2.7	+ 1.4	1,750	338	346
Industrial supplies*.....	132	- 1.8	+ 0.5	130	-26.2	51,216	78	- 9.3	- 3.1	7,483	252	271
Plumbing and heating supplies.....	81	+ 3.5	-10.0	82	-20.6	36,625	46	-10.5	- 1.1	3,212	236	277
Jewelry and optical goods.....	45	+ 7.4	+46.5	45	-20.6	15,293	21	-23.5	-15.5	1,976	184	254
Lumber and building materials.....	43	+ 2.3	-16.9	43	-16.6	22,640	25	- 5.0	+ 2.1	2,719	213	219
Machinery, equipment and supplies, except electrical.....	42	-12.1	- 4.2	42	-26.0	25,178	26	-24.4	- 2.9	3,806	299	343
Surgical equipment and supplies.....	35	+12.2	+ 9.1	34	- 5.2	6,616	20	- 4.3	- 0.9	774	202	235
Metals.....	24	+13.3	- 8.7	23	-21.4	20,663	15	-22.1	- 1.9	1,419	230	245
Paper and its products.....	76	+ 3.1	+ 0.4	76	-12.2	45,884	34	- 9.6	- 1.9	3,431	175	203
Petroleum.....	13	- 2.5	- 7.0	12	+ 0.1	25,624	8	- 3.6	+ 2.9	1,445	77	75
Tobacco and its products.....	185	+ 2.8	+11.1	177	- 0.6	149,390	64	+ 2.7	-16.7	2,523	46	60
Flowers and nursery stock.....	4	+ 1.2	+73.3	4	- 9.4	1,240	—	—	—	—	—	—
Leather and shoe findings.....	13	+ 0.4	-12.8	13	-15.6	2,274	—	—	—	—	—	—
Miscellaneous.....	46	+40.5	0.0	44	-18.1	56,539	40	+0.9	+ 1.0	9,291	131	151
Total.....	2,527	+ 1.5	- 0.4	2,471	-12.6	\$2,093,819	1,425	-13.9	-4.7	\$174,629	164	191

*This heading also includes distributors of mill, mine and steam supplies.

—Insufficient data to show separately.

**These Stock-Sales Ratios are percentages obtained by dividing Stocks by Sales for an identical group of firms.

††Total Sales, including liquors, wines, etc.

WHOLESALESAERS' accounts receivable and collections, December 1938

Kind of Business	Number of firms reporting	Collection Percentages*			Total Accounts Receivable		
		Dec. 1938	Dec. 1937	Nov. 1938	Percent change December 1, 1938 from		As of Dec. 1, 1938 (000's)
					Dec. 1, 1937	Nov. 1, 1938	
Automotive supplies.....	114	64	64	54	+ 7.8	- 1.2	\$3,851
Chemicals.....	11	79	81	71	+ 8.2	- 1.1	699
Paints and varnishes.....	29	57	57	58	- 9.3	-12.5	2,426
Clothing and furnishings, except shoes.....	27	53	48	45	-10.9	-12.3	4,348
Shoes and other footwear.....	33	51	46	45	- 6.3	- 8.0	10,082
Coal.....	9	73	76	68	- 5.3	+ 4.5	3,800
Drugs and drug sundries.....	54	78	82	74	+ 2.7	+ 0.7	8,331
Dry goods.....	96	57	55	49	- 8.1	- 6.5	19,769
Electrical goods.....	303	72	75	65	-19.6	+ 0.9	21,542
Farm products (consumer goods).....	49	144	150	128	-11.2	- 8.1	2,601
Farm supplies.....	4	83	95	84	- 1.9	+ 3.2	258
Furniture and house furnishings.....	35	56	56	55	- 6.2	- 1.9	4,948
Groceries and foods, except farm products.....	536	103	104	96	- 2.6	- 3.2	41,452
Meats and meat products.....	25	176	176	182	+ 8.1	+10.0	5,709
Wines and spirituous liquors.....	11	112	118	100	- 5.5	+ 5.0	861
Total hardware group.....	363	61	59	55	- 7.9	- 4.8	43,528
General hardware.....	143	61	57	53	- 8.2	- 4.2	30,330
Heavy hardware.....	22	68	67	60	- 2.3	- 6.5	1,463
Industrial supplies*.....	120	62	67	61	-10.0	- 4.5	6,259
Plumbing and heating supplies.....	78	57	59	57	- 4.9	- 7.6	5,476
Jewelry and optical goods.....	37	29	26	17	-16.6	+16.7	5,291
Lumber and building materials.....	41	68	69	64	- 5.4	- 8.7	3,413
Machinery, equipment and supplies, except electrical.....	33	46	47	46	-12.9	- 2.8	3,028
Surgical equipment and supplies.....	33	46	47	46	- 1.7	+ 0.6	1,100
Metals.....	21	74	72	75	+ 3.8	- 4.8	1,451
Paper and its products.....	65	65	62	61	- 5.1	- 5.6	5,434
Petroleum.....	9	106	99	97	-16.2	- 2.8	764
Tobacco and its products.....	107	123	124	114	+ 2.7	+ 5.5	6,832
Flowers and nursery stock.....	12	39	36	48	- 4.0	+ 0.9	558
Leather and shoe findings.....	13	94	88	94	+ 8.2	+ 6.0	7,026
Miscellaneous.....	44	94	88	94	+ 8.2	+ 6.0	7,026
Total.....	2,105	77	76	71	- 6.5	- 2.5	200,102

*Collection percentages are obtained by dividing the collections by accounts receivable for an identical group of firms.

**This heading also includes distributors of mill, mine and steam supplies.

	Dec. 1937	Nov. 1938
6	229	
6	125	
9	317	
3	175	
7	—	
7	232	
9	186	
9	139	
9	60	
—	212	
2	166	
1	47	
—	188	
8	263	
8	268	
—	295	
1	261	
4	203	
9	173	
—	298	
3	213	
3	178	
3	69	
5	—	
—	130	
1	—	
1	172	

Sales		#	
Dec. 1937	Nov. 1938		
6	229		
6	125		
6	317		
3	175		
7	140		
7	232		
9	189		
9	139		
9	60		
0	212		
2	166		
3	47		
3	188		
3	263		
6	268		
7	295		
7	201		
9	263		
9	170		
3	298		
3	213		
5	218		
5	178		
6	69		
6	61		
1	—		
1	130		
1	172		
Dec. 1938			
1			
9			
9			
6			
2			
2			
1			
1			
2			
8			
8			
2			
9			
1			
1			
3			
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0			
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4			
4			
2			
8			
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1939

1939

WHOLESALEERS' accounts receivable and collections, by geographic regions, December 1938

Kind of Business and Region	Number of firms reporting	Collection Percentages*			Total Accounts Receivable		
		Dec. 1938	Dec. 1937	Nov. 1938	Percent change December 1, 1938 from		As of Dec. 1, 1938 (000's)
					Dec. 1, 1937	Nov. 1, 1938	
New England.....	119	74	71	70	-5.9	+4.4	\$12,474
Electrical goods.....	30	79	78	72	-17.4	-10.0	1,425
Groceries and foods, except farm products.....	22	78	72	72	-6.9	-1.3	2,426
Industrial supplies.....	13	60	62	52	-0.2	+3.8	439
Plumbing and heating supplies.....	8	52	55	54	+1.5	-0.7	545
Tobacco and its products.....	9	146	138	118	-3.6	-2.5	1,070
Middle Atlantic.....	418	79	80	73	-5.5	-0.7	44,080
Automotive supplies.....	14	60	65	47	+14.2	+8.8	891
Paints and varnishes.....	5	30	31	31	+5.0	-7.1	105
Clothing and furnishings, except shoes.....	8	45	40	40	-11.3	-12.9	3,023
Shoes and other footwear.....	10	50	48	45	+11.3	-10.7	1,337
Drugs and drug sundries.....	9	65	75	59	+1.6	-1.2	2,132
Dry goods.....	29	59	58	53	-6.7	-2.1	4,616
Electrical goods.....	65	81	84	69	-20.4	+2.4	4,226
Farm products—consumer goods.....	6	159	154	130	-35.5	-25.5	607
Groceries and foods, except farm products.....	77	96	106	92	-0.6	-0.6	7,678
Meats and meat products.....	5	164	155	164	-0.4	+16.7	2,005
General hardware.....	27	61	58	47	-9.5	0.0	3,865
Heavy hardware.....	8	70	70	63	-1.1	-4.5	528
Industrial supplies.....	35	64	65	59	-8.6	-7.0	1,750
Plumbing and heating supplies.....	24	50	54	50	-6.6	-8.2	1,272
Jewelry and optical goods.....	13	23	24	18	-20.4	+19.5	1,304
Lumber and building materials.....	10	61	66	58	-13.8	-6.9	1,033
Surgical equipment and supplies.....	5	39	43	37	+11.6	+3.1	135
Paper and its products.....	12	65	65	58	+2.9	-0.1	1,663
Tobacco and its products.....	25	115	115	111	+0.1	+11.1	1,616
East North Central.....	387	74	72	69	-11.3	-0.7	38,411
Automotive supplies.....	28	68	66	61	-3.7	-2.4	698
Paints and varnishes.....	8	29	31	29	-1.5	-13.2	132
Clothing and furnishings, except shoes.....	5	74	69	60	-11.7	-8.5	665
Drugs and drug sundries.....	9	87	92	79	+6.4	+3.7	815
Dry goods.....	9	56	54	48	-6.0	+1.2	1,996
Electrical goods.....	48	64	67	61	-30.0	+3.9	4,989
Farm products—consumer goods.....	9	101	113	90	+1.8	-3.0	174
Groceries and foods, except farm products.....	78	97	96	91	-3.9	-2.7	8,125
Meats and meat products.....	7	162	151	162	-15.6	-7.4	486
General hardware.....	20	59	60	54	-9.6	-5.9	6,004
Industrial supplies.....	25	66	74	68	-21.8	-2.6	1,764
Plumbing and heating supplies.....	14	59	59	60	-12.2	-8.5	1,162
Jewelry and optical goods.....	15	31	26	15	-16.4	+15.6	3,237
Lumber and building materials.....	8	78	84	77	-11.4	-12.0	441
Machinery, equipment and supplies, except electrical.....	7	91	80	77	-28.7	-10.5	119
Surgical equipment and supplies.....	10	53	53	48	+2.5	-1.5	405
Metals.....	21	74	60	76	+1.3	-7.5	695
Paper and its products.....	39	67	62	63	-11.2	-1.7	1,848
Tobacco and its products.....	262	129	127	121	+5.1	+4.7	1,845
West North Central.....	262	81	76	70	-4.4	-5.1	34,668
Automotive supplies.....	12	55	62	47	+30.5	-5.5	672
Clothing and furnishings, except shoes.....	6	63	65	51	-9.6	-19.0	265
Drugs and drug sundries.....	5	77	74	73	-0.2	+0.3	900
Dry goods.....	7	70	64	54	-11.3	-4.6	3,921
Electrical goods.....	36	60	57	51	-16.8	-2.6	2,554
Furniture and house furnishings.....	8	56	54	54	-3.7	+2.3	2,202
Groceries and foods, except farm products.....	78	129	130	113	+5.1	-4.6	4,169
General hardware.....	13	59	54	51	-7.2	-4.8	5,788
Heavy hardware.....	5	70	52	52	-16.0	-20.5	105
Industrial supplies.....	10	48	64	49	+21.3	-2.9	496
Plumbing and heating supplies.....	12	60	58	54	-0.6	-10.9	865
Jewelry and optical goods.....	5	52	52	32	-9.7	+18.0	262
Paper and its products.....	7	68	66	62	-7.3	0.0	355
Tobacco and its products.....	7	135	133	128	-3.7	+3.0	546
South Atlantic.....	223	71	72	65	-3.2	-2.3	16,170
Drugs and drug sundries.....	13	96	92	94	0.0	+3.6	1,027
Dry goods.....	8	48	46	42	-11.7	-5.2	1,694
Electrical goods.....	45	75	80	68	-7.2	+4.0	2,958
Farm products—consumer goods.....	7	133	131	134	-3.1	+10.2	217
Groceries and foods, except farm products.....	66	101	111	95	+1.3	-2.7	3,028
General hardware.....	28	50	47	46	-4.0	-4.0	3,496
Industrial supplies**.....	13	63	66	56	-0.7	-5.6	605
Plumbing and heating supplies.....	5	54	57	52	+3.1	-7.9	538
Paper and its products.....	6	58	57	58	-0.5	-5.3	433
Tobacco and its products.....	8	95	101	93	+9.2	+8.9	332
East South Central.....	119	74	69	66	-10.6	-5.3	10,216
Dry goods.....	13	50	47	43	-5.9	-9.9	2,264
Electrical goods.....	10	71	71	63	-15.5	+1.7	550
Groceries and foods, except farm products.....	41	102	111	95	-6.0	-7.5	2,038
General hardware.....	13	87	60	71	-23.9	-5.9	2,451
Industrial supplies**.....	7	62	60	62	-10.8	-0.5	380
Paper and its products.....	5	66	63	63	-7.2	+3.6	231
West South Central.....	213	73	71	67	-4.4	-4.2	18,645
Drugs and drug sundries.....	8	72	75	69	+2.7	+3.9	1,867
Dry goods.....	11	50	50	42	-6.7	-12.2	3,572
Electrical goods.....	27	76	77	72	-19.6	-5.2	1,265
Groceries and foods, except farm products.....	114	101	99	94	-2.6	-2.4	6,049
General hardware.....	13	61	56	51	+3.4	-1.4	2,293
Surgical equipment and supplies.....	5	60	66	51	-4.6	-3.7	104
Paper and its products.....	5	65	65	62	-0.8	-0.5	385
Tobacco and its products.....	7	87	121	96	+7.4	+12.2	202
Mountain.....	88	83	85	77	-2.9	-4.1	5,768
Automotive supplies.....	6	70	70	63	+6.5	+0.7	147
Electrical goods.....	13	75	80	68	-5.0	-2.2	613
Groceries and foods, except farm products.....	26	103	105	96	+11.7	-6.2	1,651
General hardware.....	6	72	73	65	+1.2	-10.6	817
Pacific.....	280	80	82	76	-6.4	-5.0	28,670
Automotive supplies.....	44	68	64	56	+0.5	-5.0	1,019
Shoes and other footwear.....	6	54	52	41	-8.8	-19.0	323
Dry goods.....	13	59	53	60	-8.2	-16.4	1,425
Electrical goods.....	29	70	81	65	-15.5	+3.4	2,962
Farm products—consumer goods.....	15	148	155	136	+5.7	-3.3	1,137
Furniture and house furnishings.....	10	54	56	52	-13.4	-6.7	994
Groceries and foods, except farm products.....	34	112	110	107	-9.9	-5.4	6,288
Meats and meat products.....	5	177	234	215	+27.2	+20.9	318
General hardware.....	19	57	59	54	-6.9	-4.0	5,383
Industrial supplies**.....	12	57	61	55	-0.8	-6.3	386
Plumbing and heating supplies.....	9	73	73	73	-5.4	-10.2	677
Lumber and building materials.....	11	64	61	57	+10.9	-12.6	581
Machinery, equipment and supplies, except electrical.....	9	53	53	49	-5.1	-15.7	466
Surgical equipment and supplies.....	6	40	33	45	-12.2	+5.4	216
Metals.....	5	63	80	73	+10.2	+3.2	291
Paper and its products.....	7	65	63	54	-12.1	-19.8	369
Tobacco and its products.....	16	109	123	104	+12.4	+6.2	1,034

*Collection percentages are obtained by dividing collections by accounts receivable for an identical group of firms.

**This heading also includes distributors of mill, mine and steam supplies.

STATES COMPRISING REGIONS: New England—(Conn., Me., Mass., N. H., R. I., Vt.); Middle Atlantic—(N. J., N. Y., Pa.); East North Central—(Ill., Ind., Mich., Ohio, Wisc.); West North Central—(Iowa, Kans., Minn., Mo., Nebr., N. Dak., S. Dak.); South Atlantic—(Del., D. C., Fla., Ga., Md., N. Car., S. Car., Va., W. Va.); East South Central—(Ala., Ky., Miss., Tenn.); West South Central—(Ark., La., Okla., Texas); Mountain—(Ariz., Colo., Idaho, Mont., Nev., N. Mex., Utah, Wyo.); Pacific—(Cal., Ore., Wash.).